1 Dividend-Growth Stock You Won't Want to Miss in the Real Estate Sector

Description

Real estate investing has gone cold since the central bank increased interest rates multiple times this year. Bank of Canada governor Tiff Macklem recently told the House of Commons that inflation remains too strong and only higher interest rates can cool an overheating economy.

Macklem said, "Inflation has come down in recent months, but we have yet to see a generalized decline in price pressures. This tightening phase will draw to a close. We are getting closer, but we are not there yet." While the policymakers are committed to bringing inflation back to its target, the decline will begin in 2023.

Meanwhile, investors fear a housing bubble burst could lead to a market crash. Direct ownership isn't the route if you're looking to invest in real estate this month. Real estate investment trusts (REITs) are the next-best alternatives to earning passive income like as a real landlord would.

Impressive dividend growth

A strong buy today is **InterRent** (TSX:IIP.UN). The $1.75 billion REIT deserves to be on investors' watchlist following its validation as a dividend-growth stock. At $12.37 per share, the dividend yield is a modest and decent but safe at 2.76%. You want to own this real estate stock that has raised its dividends by 5% or more for 11 consecutive years.

On November 10, 2022, InterRent's board of trustees approved a 5.3% increase to the REIT's monthly distribution ($0.3420 to $0.3600 per unit). The decision stems from the strong, sustainable results in the third quarter of 2022. According to management, the occupancy gains in strong operating revenue growth helped offset the higher expense base.

In the three months that ended September 30, 2022, operating revenues and net operating income (NOI) increased 17% and 20.7% year over year to $54.85 million and $36.49 million, respectively. Notably, the same-property occupancy rate rose by 100 basis points to 95.9%.

Brad Cutsey, InterRent's president and chief executive officer, said, "We know we still have more to do, and we can always improve. However, I believe these results are a big step forward on the occupancy front. They demonstrate our commitment to controlling costs and highlight the continued strong demand for safe and secure housing."

Short-term challenges ahead

Despite its impressive dividend-growth streak, InterRent isn't immune from market headwinds. Cutsey knows that the REIT will continue to navigate short-term challenges like inflation and interest rate volatility. He said, "We remain steadfast in our mission to create communities where people are proud to call home."

This growth-oriented REIT acquires and owns multi-residential properties (12,573 suites). Expanding the portfolio is an ongoing concern, because InterRent can create a growing and sustainable distribution by pursuing more acquisitions. Management's focus is high-growth urban markets with stable market vacancies.

REIT advantage

REITs are low-cost options for real estate investors. Besides the lower cash outlay, you don't need to assume the duties of an actual landlord and the headaches that come with them. More importantly, you have protection against inflation while the central bank is busy reining it in. A $54,675.40 position in InterRent (4,420 shares for $12.37 per share) is enough to generate $125.75 in monthly passive income.

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