



## Why RioCan Real Estate Investment Trust Is the Perfect Forever Stock

### Description

With serious issues starting to creep into the Canadian economy, it's natural for investors to start to get a little nervous about the market.

Not only does the economy look like it's about to enter a recession, but the stock market has also been struggling. Thus far in 2015, the TSX Composite index is down slightly, giving up 1.3%. The picture is even worse when you look at it from a one-year perspective as the TSX Composite has shed nearly 6%.

There's a serious argument to be made that things might be getting worse. Alberta hasn't really felt the pain of sub-\$50 oil yet. The housing market is dangerously overvalued. Even Canadian manufacturing isn't getting the boost most folks predicted from the dollar's sell-off.

With all these issues surrounding us, I think it's time for investors to start going a little defensive. There are dozens of defensive choices out there, but I'm not sure any are finer than **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.riocanreit.com)). Here's why now is the perfect time to load up on this forever stock.

### A decent yield

Getting paid to wait is nice most of the time, but it's doubly important when you're nervous about the market. A generous yield can help an investor stay calm and sell if the underlying price goes down.

Thanks to a recent sell-off in shares, RioCan's dividend is as good as it's been in a few years. The yield is currently 5.3%, or a whopping six times larger than the Government of Canada's five-year bond yield. That's the kind of income an investor can use to fund their retirement.

The yield is safe, too. In 2014 the company earned \$1.65 in funds from operations per share, which is a commonly used metric for REIT profitability. Meanwhile, the company paid out just \$1.41 per share in dividends, which gives it a payout ratio of about 85%. In the world of REITs and their consistent income, that's considered pretty safe.

## **Attractively valued**

RioCan is also fairly valued, so investors don't have to worry about overpaying for its assets.

The company currently trades at just 16 times its trailing funds from operations, which puts it about in the middle of the pack compared with its peers, and a little cheaper than the average stock on the TSX.

## **Great assets**

Another reason to own RioCan is the company has some of the best assets in the whole sector. Some of Canada's largest shopping destinations are owned by RioCan.

Not only do these destinations do a better job of attracting tenants than the average location—because retailers want to be where the traffic is—but they also ensure a competitor just can't replicate these assets. RioCan has been in the game long enough that its locations have had the city grow around them.

Because of these great assets, RioCan is able to enjoy terrific tenant diversity. No tenant makes up more than 5% of its gross rental receipts, which is a pretty big accomplishment for a company with almost 80 million square feet worth of retail space.

## **Interesting growth**

RioCan does have several traditional growth initiatives planned, but the far more interesting story is its foray into condos.

By taking some of its unused land and using it to develop condos, RioCan is able to build new apartments at a significant discount compared with a traditional builder. Plus, these condos look to be attractive to prospective buyers, since they're located close to retail and public transit. The company just isn't sure whether it'll keep these units or sell them, but either way, it looks to be a profitable expansion. And according to management, there are dozens of locations where such developments could happen.

In today's market, getting paid more than 5% to wait is nice. If you add RioCan's predictable income and interesting growth plans to the equation, it's easy to see why now is a great time to add this forever stock to your portfolio.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **POST TAG**

1. Editor's Choice

## **TICKERS GLOBAL**

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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## Tags

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