You Can Count On First Capital Realty Inc.'s 4.7% Dividend

Description

At 4.7%, **First Capital Realty Inc.** (TSX:FCR) doesn't have the highest dividend yield in the real estate industry, but it is one of the most stable. Back in 2008 when nearly every peer was forced to slash or eliminate its dividend, First Capital Realty actually held steady at $0.20 a share per quarter. At its lows in 2009, the stock was yielding nearly 9%. Still, the consistent payout remained.

Fortunately for investors today, First Capital Realty's proven ability to keep income investors happy will most likely persist during the next downturn.

A defensive position in a volatile market

While most commercial and residential property markets go through booms and busts based on the overall economy, First Capital Realty has singled out a slice of the industry that has shown much less volatility: grocery stores. People continue shopping for food during even the worst downturns, leading to more stable rent income and occupancy rates.

Having a development anchored by a grocery store also leads to higher traffic for other tenants as consumers are already traveling to the storefronts.

For example, over 80% of the company's leases are from stable tenants like **Wal-Mart Stores, Inc.**, **Loblaw Companies Limited**, or **Jean Coutu Group PJC Inc**. Nine of the top 10 tenants have investment-grade credit ratings. Additionally, sales are split fairly evenly across the western, central, and eastern provinces, diversifying the economic risk from any one region.

Clearly, First Capital Realty has done a tremendous job creating stability in a sometimes tumultuous industry.

Even with stability, there's plenty of growth

Despite having $5.6 billion in assets already in operation, management has targeted $1 billion in additional development projects over the coming years. That includes 2.4 million square feet of retail and six million square feet of residential property. Five of its six-biggest projects should be completed by 2017, meaning earnings growth isn’t too far off.

Investor don’t need to worry about current economic conditions impacting the availability of financing these projects either. The company has an investment-grade rating from multiple ratings agencies and generates EBITDA that is 2.5 times larger than its interest payments. Management has also proven its ability to maintain a healthy, low-risk balance sheet; 100% of its current debt is a fixed rate at a weighted average interest rate of only 4.7%.

What’s next for the dividend?

Since 1994, First Capital Realty has consistently raised its dividend without pause. Even with concerns surrounding the Canadian economy, this record is unlikely to falter. The company’s core business of grocery-anchored properties is still intact, and it has a healthy balance sheet and plenty of growth opportunities.

With the TSX down over 12% in the past 90 days, the market has dragged down First Capital Realty’s stock by 6%, allowing the current dividend yield to reach 4.7%. While there are higher, riskier dividends to bite on, this one won’t let you down.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:FCR.UN (First Capital Real Estate Investment Trust)

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Date
2025/08/18
Date Created
2016/01/26
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