



Smart REIT: Is it the Best Retail REIT?

Description

Retail is currently undergoing a significant transformation where traditional brick-and-mortar stores are losing sales to e-commerce businesses such as **Amazon.com, Inc.** It's enough to make you wonder if this is the death of traditional retail, something Fool.ca contributor Matt Smith pondered in a recent [article](#).

No, retail isn't dying; the deck is merely being reshuffled, and while there are winners and losers in this transformation, brick-and-mortar retail lives on at properties owned by retail REITs such as **Smart REIT** ([TSX:SRU.UN](#)) and many others.

Just as investors question if it's smart to be putting money into retail businesses at the moment, these same investors ought to be asking themselves if retail real estate is a good idea. After all, if a retailer goes bust, the landlords are often the ones left holding the bag.

Smart REIT is one of seven TSX-listed retail REITs. It currently yields 5.2%, which puts it at the low end of the group. However, what it doesn't provide in yield, it more than makes up for it in quality and size.

Canadian retail REITs

Company	Yield	Market Cap
Smart REIT	5.2%	\$4.2B
CT Real Estate Investment Trust (TSX:CRT.UN)	4.7%	\$1.3B
Choice Properties Real Estate Investment Trust (TSX:CHP.UN)	5.1%	\$1.3B
RioCan Real Estate Investment Trust (TSX:REI.UN)	5.3%	\$8.6B

OneREIT

(TSX:ONR.UN) 7.9% \$294.3M

Plaza Retail REIT

([TSX:PLZ.UN](#)) 5.5% \$498.9M

Slate Retail REIT

(TSX:SRT.UN) 7.3% \$561.2M

Source: Google Finance

First, before discussing why I think Smart REIT is a good move, let me explain why some of the REITs might not be as attractive to investors.

CT Real Estate Investment Trust

Canadian Tire Corporation Limited ([TSX:CTC.A](#)) owns 85.1% of its units. By holding Canadian Tire directly, you benefit from the retail growth (it's one of the few retailers doing well), Canadian Tire Financial Services, and the real estate investment trust. Canadian Tire's dividend yield is only 1.6%, but you would have achieved an annualized total return of 17.1% over the past three years — 362 basis points better than the REIT.

Choice Properties Real Estate Investment Trust

Choice is the REIT spin-off of **Loblaw Companies Ltd.** ([TSX:L](#)). Again, I'd be inclined to invest in Loblaw, which owns 82.7% of the REIT.

RioCan Real Estate Investment Trust

RioCan is the largest REIT in Canada. It has some interesting joint-venture partnerships, including one with **Hudson Bay Co.** It's got a good CEO in Ed Sonshine and is moving into more urban, mixed-use developments. I recently [recommended](#) that investors consider **First Capital Realty Inc.** (TSX:FCR) rather than RioCan. However, if you must own a retail REIT other than Smart REIT, it's a good choice.

OneREIT

It owns 57 properties in eight provinces and one territory, leasing seven million square feet of space to 908 tenants. Its biggest property is Creekside Crossing in Mississauga, Ontario. The outdoor mall is 430,000 square feet with **Walmart**, **Costco**, and the LCBO as major tenants. Most of its properties are located in smaller towns in various parts of the country. At a 7.9% yield, income investors will have interest. However, its market cap is less than 10% of Smart REIT's, making it slightly riskier.

Why Smart REIT?

Smart REIT is branching out from big-box malls into mixed-use developments in major cities across Canada. It's currently developing 100 acres of the 400-acre Vaughan Metropolitan Centre in Vaughan,

Ontario, in partnership with Penguin Investments.

The Vaughan Metropolitan Centre is one of the biggest developments in Canada in recent years; Smart's portion includes a Class A office building tenanted by KPMG, 10 million square feet of residential, and two million square feet of retail. It's by far the most dynamic project in the company's history.

Since going public in 2002, Smart REIT's averaged a 13.1% annual return by growing its total assets on a compounded basis by 36.8% per year. Walmart and grocery stores anchor most of its shopping centres, keeping occupancy rates above 98% since 2005, while providing reliable rental revenue.

Smart REIT is focused on the golden triangle between Toronto, Ottawa, and Montreal. Its 5.2% yield is plenty.

In my opinion, Smart REIT is the best retail REIT in this country.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:FCR.UN (First Capital Real Estate Investment Trust)
4. TSX:L (Loblaw Companies Limited)
5. TSX:PLZ.UN (Plaza Retail REIT)
6. TSX:REI.UN (RioCan Real Estate Investment Trust)
7. TSX:SGR.UN (Slate Retail REIT)
8. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/20

Date Created

2017/04/19

Author

washworth

default watermark