



## Looking at H&R Real Estate Investment Trust for the 1st Time

### Description

As one of Canada's biggest real estate investment trusts (REITs), **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)) currently trades at slightly more than \$22 per share. The company carries a market capitalization of almost \$6.5 billion.

With more than 300 properties throughout Canada and North America, the western part of Canada makes up no more than 20% of the total portfolio. Ontario makes up close to one-third of the total number of properties, which is evenly split between Toronto and the rest of the province.

The good news for investors seeking an income opportunity is the diversification of the portfolio across both Canada and North America as a whole. Currently, close to 40% of the total properties are located in the United States, which provides cash flow in U.S. dollars. For the time being, the excess cash flows from these properties translate to a higher amount of Canadian dollars.

Given the diversified nature of this REIT, investors need not worry about a stronger Canadian dollar (CAD). Given the strong positive correlation between the CAD and the price of oil, the cash flows coming from south of the border will be worth less (as the CAD increases in value), but will be offset by the increase in rents in the western provinces.

Investors willing to purchase shares at current levels will receive a dividend yield in excess of 6% and the potential to receive capital appreciation in addition to the dividend yield.

Over the past 52 weeks, the trading range for shares of H&R Real Estate Investment Trust have traded between \$20.96 and \$23.83, making this a low volatility investment. The beta, which is a measure of a security's volatility, is currently 0.53 which means the stock fluctuates roughly half of what the overall market does.

For investors wanting to look past the dividend yield to ask, "What value am I getting?", the answer is, "Excellent value." The tangible book value per share, calculated as assets minus liabilities, divided by the number of shares outstanding, is nothing less than \$24.20. At the current price, shares trade at a discount to tangible book value by almost 8%.

Considering the sustainability of the dividend payment, the total dividends paid for fiscal 2016 were \$275 million, which accounted for approximately 65% of cash flow from operations (CFO). For the prior fiscal year, the ratio was no more than 35%.

Considering the same metrics for fiscal 2017, the dividend accounted for 60% of CFO. While this number accounts for only a part of the entire fiscal year, investors should remember that the revenues of a REIT are evenly distributed throughout the year.

For low-risk investors seeking an income component and the potential for capital appreciation, shares of H&R Real Estate Investment Trust may just be what the doctor ordered.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:HR.UN (H&R Real Estate Investment Trust)

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