



Why a Recent Dividend Increase at Canadian Apartment Properties REIT Could Be a Buying Opportunity

Description

Over the past decade, investors have been both the benefactors and the victims of lower interest rates. For those investing in fixed-income products, the yields offered on fixed-term investments, such as guaranteed investment certificates and bonds, have seen returns decline substantially while investors in securities have greatly benefited from the same lower rates.

For investors in common stock, the ability of a company to fund debt at a significantly lower rate and use the money to either fund a new project or repurchase shares has been very lucrative. As interest rates declined substantially after the Great Recession and remained there for many years, the level of comfort for companies and consumers to take on more total debt (at a lower rate of interest) grew quite substantially.

The result for investors in higher-risk securities has been higher earnings per share (EPS). Those looking for lower-risk investments may not have done as well. For those in the latter category, the importance of real estate investment trusts (REITs) has grown significantly.

In almost all cases, Canadian REITs carry a high amount of tangible book value (calculated as assets – liabilities – goodwill), which is in the form of properties owned by the trust. These properties in turn generate cash flows which are then distributed back to investors in the form of dividends. While the yields vary for different REITs, the benefit for investors, especially lower-risk investors, is that the yields have been consistently higher than the return on fixed income. Alongside the higher yields, the share prices have typically increased as the company's ability to borrow money has gotten less expensive.

For investors looking for new opportunities, shares of **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) may be the best fit. Currently trading at a price of approximately \$32.50 per share, the company carries a total tangible book value per share of \$31.70 and pays a dividend yield of close to 4%.

Although the monthly dividend payment was just increased, it is important for investors to consider the history of the dividend payments. For fiscal 2014, the company paid a total of \$0.87 in dividends per

share, which proceeded to grow to \$1.20 in 2015 and then to \$1.24 in 2016. Currently paying a monthly dividend of \$0.1066 per month, the company is on route to pay total dividends of \$1.275 per share for the year. The compounded annual growth rate is projected to be 13.6% over the four-year period.

The beauty of the dividend payments for investors of Canadian Apartment Properties REIT is the sustainability. For the past fiscal year, the company paid out a total of 30% of cash flow from operations (CFO) as dividends. For the two years prior, the amount was 33% (2015) and 31% (2014).

Given that this investment has provided an excellent mix of dividends and capital appreciation, investors may want to thoroughly consider shares of Canadian Apartment Properties REIT.

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