



## Calgary Paves the Way for Melcor Developments Ltd. Revival

### Description

Is it safe to go back into the water?

That's a question people asked when the movie *Jaws* came out; no one wanted to go into the ocean immediately after seeing the film.

Well, investors face a similar dilemma with Alberta-centric companies like **Melcor Developments Ltd.** ([TSX:MRD](#)), where it generates 81% of its revenue and owns most of its assets.

While it might not have the geographic diversification some investors look for in a real estate company, it certainly has significant diversification by operating division; it generates revenues from four different segments, including its community development and property development units, which are the workhorses of its business model.

In the second quarter ended June 30, Melcor's community development division had \$22.1 million in revenue — a 28.6% increase over a year earlier, accounting for 47% of its overall revenue.

Its business in the province is definitely looking up.

"Our primary market is Alberta. Market conditions have shown signs of improvement in most regions and we remain cautiously optimistic," stated the company in its second-quarter report. "We continue to commit resources outside of Alberta to diversify our land holding portfolio."

### A lot is happening in Calgary

Although Melcor is based in Edmonton, it has a number of current and future projects on tap in Alberta's largest city, including Greenwich, the company's 70-acre mixed-use development that's expected to completely change the area around Canada Olympic Park along the Trans-Canada Highway.

By the time Greenwich is fully built, it will include 200,000 square feet of office space, 100,000 square feet of retail, a possible hotel, and multi-family residential.

A second development, the West Calgary Market Place, an 800,000-square-foot regional shopping centre, is also in the works in Calgary. Situated along the Trans-Canada Highway, the location sees 62,600 cars pass by each day and has a household income of \$325,000 within a 10-minute drive of the mall.

Greenwich and West Calgary Market Place are just two examples of how it plans to deliver not only for the people of Calgary, but Melcor Development shareholders as well.

### **Bottom line on Melcor Developments**

As Fool.ca contributor Ryan Goldsman stated in his August 22 [article](#), Melcor was trading above \$25 in 2014 at times tangible book value. Today, it's trading at half its tangible book value.

While \$25 in the next 12 months isn't guaranteed, if the Albertan economy continues to improve, I'd say the chances are good that it will come close as the value Melcor Developments provides at the moment is significant.

However, if you're not comfortable investing with a small-cap real estate company, there's always **First Capital Realty Inc.** (TSX:FCR), my [favourite](#) mid-cap real estate stock on the TSX.

The upside is probably not nearly as great, but it also doesn't come with the same risk of being overweight Alberta.

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1. Investing

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1. Editor's Choice

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