



Why Canadian REIT Is Soaring Over 16%

Description

What?

Canadian REIT (TSX:REF.UN), or CREIT for short, is watching its stock soar over 16% in Thursday's trading session following the announcement that **Choice Properties Real Est Invstmnt Trst** ([TSX:CHP.UN](#)) will acquire all of CREIT's assets and assume all of its liabilities. Choice Properties's stock has had a negative reaction, as it currently sits down over 6%.

So what?

The deal calls for Choice Properties to pay \$22.50 in cash and 2.4904 of its units per CREIT unit, representing a price tag of roughly \$53.61 per CREIT unit based on Choice Properties's closing price of \$12.49 on Wednesday and equates to a 23.1% premium over CREIT's closing price of \$43.54 on Wednesday.

The combined companies will form Canada's largest REIT with an enterprise value of approximately \$16 billion and a diversified portfolio of 752 properties with about 69 million square feet of gross leasable area along with one of the country's largest development pipelines.

Commenting on the acquisition, John Morrison, the president and CEO of Choice Properties, stated the following:

"We are excited to be creating Canada's leading diversified REIT. Choice Properties's expanded diversified real estate portfolio, anchored by Canada's largest retailer, will provide unitholders of both Choice Properties and CREIT the opportunity to capitalize on the future growth and value creation opportunities of this strategic transaction. Relying on the depth of tenant relationships of both organizations, the combined real estate will provide tenants with best-in-class real estate solutions across an extensive national portfolio."

However, it's very important to note that Mr. Morrison will not be the president and CEO of the combined company; those roles will actually go to Stephen Johnson, the CEO of CREIT, while Mr.

Morrison will step down to serve as the non-executive vice chairman of the board of trustees.

Mr. Johnson made the following statement regarding the transaction:

“This transformational combination creates immediate value for CREIT and provides tremendous opportunity for Choice Properties to capitalize on Canada’s leading development pipeline and create long term value. Together, the combined REIT is uniquely positioned to deliver results for unitholders as the owner, manager, and developer of a high-quality portfolio of diversified assets.”

Lastly, Choice Properties and CREIT expect the transaction to close in the second quarter of 2018, and Choice Properties added that it intends to maintain its current distribution rate of [\\$0.74 per unit](#) annually.

Now what?

I think this is a fantastic deal for unitholders of both Choice Properties and CREIT, and CREIT has now returned more than 31% including reinvested distributions since I first recommended it on [June 19, 2015](#), making it a big win for Foolish investors.

If you’re a current unitholder of CREIT, I would recommend holding on to your position through the close of the deal to obtain your shares of the combined company, and if you’re a current unitholder of Choice Properties, I would consider using today’s weakness as an opportunity to add to your position.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)

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Author

jsolitro

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