



This Company Just Got a Big Boost From Amazon.com Inc. (NASDAQ:AMZN)

Description

After months of rumors, speculation, and countless hours spent guessing by thousands of pundits, **Amazon.com Inc.** ([NASDAQ:AMZN](#)) finally made it official and chose a location for its new headquarters.

Enticed by the many strong offers and worried about placing all its eggs in one basket, Amazon decided to split the new development between two cities — Crystal City, Virginia and Long Island City, New York. Some 25,000 new jobs will be created in each city slowly over the next decade or so.

Each location had a number of things going for them. Proximity to major markets is one, with Crystal City being a major suburb of Washington D.C. and Long Island City is just a short train ride from Manhattan. Both locations are close to airports and major transport hubs. From Amazon's perspective, it's hard to ignore the massive tax breaks offered. New York State offered well over US\$1 billion in potential tax credits, while Virginia's bid also came with substantial incentives.

Critics say there are few winners here. Sure, these cities will get a large number of good jobs, but they'll come at the cost of massive incentives to get Amazon there. This will inevitably push up real estate prices, which is a negative for people who don't already own property. And the boom will strain already congested roads and subway lines. Have you ever taken a New York subway at rush hour? I don't recommend it.

These is one clear winner here though, and that's **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)). Here's how this Canadian REIT is poised to benefit.

An interesting new development

The majority of H&R's existing assets are located in Canada. In total, the company has just over \$13 billion worth of assets with approximately \$9 billion worth located inside Canada. Much of the U.S. assets consists of the company's 33% stake in Echo Realty, which is an owner of grocery-anchored retail real estate in the United States.

H&R is currently expanding in the U.S. outside of its investment in Echo. Assets it owns in the country

include seven office towers and a smattering of industrial properties. The company also owns some 6,000 residential units located in southern states like Texas, Florida, and North Carolina. These apartments are worth US\$1.1 billion.

The company is bullish on the U.S. residential market and recently embarked on another ambitious new housing project. The new development, Jackson Park, is right in the middle of Long Island City. Amazon's new HQ is obviously great news for H&R and its partner on the massive 1,871 apartment unit complex.

What it means for H&R

The company has spent a little over US\$500 million so far on its half of construction costs, with another US\$78 million to go. The project is projected to be completed by the end of 2018 with full occupancy by the end of 2019.

H&R has already booked gains on Jackson Park worth US\$153 million, and with Amazon moving into the region, those gains are likely the tip of the iceberg.

Some might scoff at this, claiming that Jackson Park is just a small part of H&R's total portfolio. That might be true, but the company can then use these fair value gains to start new projects. This causes a cascade of positive results, assuming management can continue to execute.

And perhaps most important, it's great news for the stock's 6.7% yield. Once Jackson Park is full and that revenue starts flowing to H&R's bottom line it'll further strengthen the dividend payout ratio.

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Date

2025/07/05

Date Created

2018/11/25

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