Which Is the Better REIT Stock? Cominar (TSX:CUF.UN) or First Capital (TSX:FCR)?

Description

When most of us think about investing in real estate, we tend to look to buying a rental unit, or flipping a house, or maybe fixing up your own in hopes of upgrading. But all that can be both risky and exhausting.

That's why real estate investment trusts (REITs) are so great. Investors can get take advantage of the Canadian real estate market without having to pick up a hammer or chase after renters.

But when it comes to the top REITs, the choice can be a tricky one. There are some great choices out there that offer good returns and high dividend yields. Today, I'll be looking at **Cominar REIT** (TSX:CUF.UN) and **First Capital Realty** (TSX:FCR) to see which is the better buy.

Cominar

Cominar, like the rest of the markets, has had a pretty interesting year. The year started out strong with shares at $14.95, but then things started to slump, with shares reaching a 52-week low of $10.41 in early December.

This could be the impact from the closing of Sears stores across Canada, all of which were owned by Cominar. If you were to exclude that from recent quarterly results, the retail segment of property ownership would have seen 1.3% growth in same-property net operating income. But you can't exclude it. That and other factors left Cominar with a decrease in adjusted net income of $12.1 million. So, tough luck, Cominar.

Now the company is focusing on decreasing debt and increasing occupancy. And it did that this quarter. Its debt now sits at below 52%, and committed occupancy grew from 92.2% to 93.3%. That news wasn't all that exciting for investors.

But on Dec. 6, shares jumped with the announcement that Cominar would be buying back over 18 million shares of the public float of units as of Nov. 28, 2018. That's about 10% of public shares.

Investors were thrilled given that last year over three million shares were purchased at a weighted average price of $14.50. That sent shares back to summer levels within the $12 range, hitting a trading volume of almost 570,000 shares, well above the three-month average of 357,000 shares.

Canada's second-largest REIT has some other pretty attractive qualities for investors — primarily, its dividend, which is currently at 6.03% at the time of writing. That's some pretty good cash to look forward to while you wait for shares to bounce back. And with shares at such a low price, now could be the time to buy.

First Capital

Another of Canada's largest owners is First Capital Realty, and it's seen an even crazier year with so many ups and downs it makes you nauseous to look at it. Since the high of $23.31 in July of 2016 the stock has remained pretty much stagnant, fluctuating between $18.60 and $21.41 in the last year.

But shareholders of this REIT are optimistic for a number of reasons. First Capital has a price-to-earnings (P/E) ratio of 13.73 based on the last 12 months, despite the company having significant debt and no growth in its earnings per share in the same time frame. So, shareholders are expecting a huge move any time now.

That may happen with the recent appointment of Chaim Katzman as director of First Capital. Katzman is the founder, CEO, and vice chairman of **Gazit-Globe**, which owns high-quality properties across the world worth an impression $17.6 billion in assets. It also holds a 31.3% stake in First Capital. This move could mean a big sell off of some First Capital properties and a sudden influx of cash. It could also lead to Gazit-Globe selling its stake in First Capital, and that could really send shares soaring.

But news isn't all "shoulds" and "coulds." First Capital invested $55.2 million in development and redevelopment in the last quarter and sold a partial interest in one property for $5.5 million. Net income rose to $131.4 million compared to $83 million in the same period last year. And then, of course, there is the dividend yield of 4.29% to look forward to come Jan. 17, 2019.

Which should you buy?

It's a tough call, but if you're impatient like me, then I'd put my money on Cominar. The stock is definitely undervalued and has been making some strong moves to attract investors. Buying back shares is something that puts money in your pocket now, as does a 6.03% dividend. The stock is also projected to increase to as much as $16 by the end of next year. That's an increase of over 30% at the time of writing. That'll give you some great bank while other investors are waiting around for First Capital to start making some moves.

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