



## It's Time to Buy This Low-Volatility Real Estate Dividend Stock

### Description

Are you looking for **S&P/TSX Composite Index** stocks to buy that possess lower volatility?

If you are, I've got just the real estate dividend stock to do the trick. It's **First Capital Realty** (TSX:FCR), the Toronto-based owner, operator, and developer of Canadian retail real estate.

First Capital owns 167 retail properties in Canada, providing 25.5 million square feet of gross leasable area to retailers with an enterprise value of \$9.3 billion.

It's a stock I've recommended many times in the past; December 1 being the most recent [example](#).

I like First Capital because it owns valuable urban retail properties in Toronto and elsewhere, a management team that's second to none, and a track record of delivering for shareholders.

However, one factor I hadn't considered makes it an excellent investment for anyone spooked by the markets is its low volatility relative to the markets and its real estate peers.

### Amongst a select group

Morningstar Research relationship manager Ian Tam, himself a CFA, recently examined the 250 largest TSX stocks by market cap to find a select group of low-volatility dividend stocks.

Spoiler alert: First Capital was one of them.

To narrow the field, Tam looked at each companies' five- and 10-year deviation of earnings, its 90- and 180-day standard deviation of returns, and their dividend yields. The lower the first two metrics and the higher the third one, the lower the volatility. However, a stock also needed a debt-to-equity ratio that's equal to or lower than its peers.

Using a 20-year back test, Tam found that low-volatility stocks delivered an annualized total return of 10.4%, 360 basis points higher than the TSX.

Applying the screening criteria today, Tam came up with 12 stocks; First Capital is one of them.

Interestingly, First Capital was the only real estate stock, which is proof that you can own quality stocks without exposing yourself to excessive volatility.

For me, Tam's research solidifies my confidence in the company and stock.

### **First Capital's business has evolved**

The First Capital realty of a decade ago is not the First Capital of today. I'm not sure investors realize the quality of assets it owns.

The Fool's Amy Legate-Wolfe recently picked **Cominar** over First Capital, [arguing](#) that the ownership issues facing First Capital have made its stock dead money, something I alluded to in my December article.

However, it's not something that affects the quality of the company's properties.

Quality real estate in good locations is the name of the game. Cominar might have greater square footage (38.2 million as of Q3 2018) than First Capital, but I don't believe the quality is the same.

Over the past decade, First Capital has repositioned its real estate to acquire a more affluent demographic — the key to any successful owner of retail real estate.

In 2009, the typical property was within 5km of 134,000 people; today, that number is 226,000. Over the same 10 years, the average household income within 5km increased by 45% to \$110,000, another critical factor in its future success.

You can go for a stock like Cominar with a 6.1% yield or you can go with First Capital, a low-volatility stock yielding 4.2%.

My money will always be on First Capital.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:FCR.UN (First Capital Real Estate Investment Trust)

### **PARTNER-FEEDS**

1. Msn
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