Why Everyone Should Buy This REIT After its Earnings Report

Description

While a housing crisis might make you think that you should stay far, far away from any real estate, real estate investment trusts (REITs) are actually a perfectly viable opportunity for investors.

That's because they aren't depended on housing, which right now is what is leading the potential crisis.

REITs invest in everything from retail stores to office buildings, casinos, hotels, and grocery stores.

The top grocery store REIT I would recommend right now after its earnings report is **Choice Properties REIT** (TSX:CHP.UN). This owner, manager, and developer of retail and commercial properties across Canada consists of 530 properties — 320 of which stand under the **Loblaw** banner of operations, Canada's largest grocery store chain.

So, while this already should make this REIT sound like a good bet, let's look at the recent performance to dig in further.

Earnings

On Apr. 26, Choice's 2019 first-quarter results came in with fairly positive results. Net operating income on a cash basis increased by 2.4% compared with the same time last year, with occupancy at 97.4%. It also saw $168.7 million worth of properties transition from development to income producing during this period.

The REIT also acquired two "high-quality" grocery properties and a residential development site in downtown Toronto with a total price tag of $56.1 million.

There were a few other increases as well. Rental revenue reached $322.97 million at a 50% increase for last year, and cash flow increased to $192.77 million also at a 50% increase.

The main bad news was net income loss for the company at $902.1 million compared to a gain last year of $627 million, which the REIT blames on fair-value adjustments after an increase in unit price during the quarter and from the acquisition of Canadian Real Estate Investment Trust (CREIT).

Historical performance

While this could have been a shock to shareholders — after all, $902.1 million is a lot of cash — shares were actually up a tiny bit on the release date. This is probably because while some might believe this company's acquisitions and future look promising, it still has some proving to do.

The REIT done a lot recently that should be exciting shareholders about the future. The last quarterly results alone were positive for the REIT, with revenue of $322.79 million for the quarter. Choice has also become a lot more diverse, though Loblaw is nothing to sneeze at.

Choice went from owning mainly grocery stores to retail, office, industrial, and residential buildings. It has also identified a pipeline for redevelopment projects. And, as I mentioned, the company combined with CREIT and another quality REIT recently to expand its portfolio even further.

Future performance

When Choice took over CREIT, it formed Canada's largest REIT, both with some of the longest dividend-growth streaks over the last decade.

That dividend yield remains strong and growing right now at 5.26% at the time of writing and is something you should definitely consider if you're going to purchase this stock, as it could be a bit of waiting game.

While you might have to wait, you won't have to worry. This company has a lot in the works right now, and once these acquisitions really fire up, there should be a lot of positive results rather than losses. When that happens, this stock will continue on its upward trend, past its all-time highs in the $14 range and nearly to $20 sooner as opposed to later.

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alegatewolfe