



The Number 1 Real Estate Development Stock to Buy

Description

Melcor Developments ([TSX:MRD](#)) is a real estate development and management company. It's a high-quality, vertically integrated company that acquires raw land, manages income-generating assets, and does everything in between.

Melcor continuously is acquiring land and real estate assets, developing and growing them and then selling them for a profit. What the company doesn't sell, it adds to its portfolio and operations to build its residual income.

The company operates through its five main segments: community development, property development, investment properties, the REIT, and its recreational properties.

The segments are entwined with each other, and many of the deals Melcor does is one segment making deals with another segment, as it continuously looks to add value to the assets it owns and is acquiring.

Community development

Community development consists of acquiring raw land and developing it to build entire communities. The company is focused on keeping adequate inventory levels to have access to, when the demand is available. The community development division currently has more than 10,000 acres of raw land inventory.

It's built more than 140 communities in Western Canada and is clearly a major company in the shaping of Alberta's residential landscape. The community development segment is split with 77% of the land for residential development and the other 23% is for commercial.

Geographically, it has 29% of its projects in northern Alberta, 28% in southern Alberta, 16% located in central Alberta, 11% in both B.C. and Saskatchewan, and the remaining 16% in the United States.

Property development

The property development segment consists of acquiring and developing a wide range of real estate projects. It currently only operates in Alberta, although there is plenty of room for growth in other geographic regions its other assets are operating in.

It acquires much of its land from the community development segment. Once its developments are completed, it can then sell or lease these assets. The business has the option to sell it to the REIT or investment properties division or to sell it to a third party.

The property development segment currently has over 6.5 million square feet of development available.

Investment properties and REIT

The investment properties manages more than four million square feet of assets, including what is owned by its REIT. The assets it manages are geographically diversified as well as diversified among multiple asset classes. It continues to try and be a best-in-class property manager to support its REIT in growing occupancy and rental rates.

The REIT division, which owns 53% of **Melcor REIT** has nearly three million square feet of assets in its portfolio and is important to Melcor because it's a cash flow-generating division, but also because it's the prime buyer of Melcor's assets from its other divisions.

It buys from the community development division, the property development division as well as redeveloped properties from the investment properties division. It continues to search for acquisitions from both Melcor as well as third-party assets that fit the funds strategic portfolio.

To date, it's acquired more than one million square feet from Melcor. Its portfolio is also well diversified, operating in three different provinces as well as two states.

Melcor Developments's last segment is its recreational properties division, which consists of four championship golf courses. The courses are located in Alberta and B.C. and host over 100,000 rounds a year.

Operations and financials

Melcor operates in one of the most capital-intensive industries, which is land and property development. It has addressed this by diversifying its operations to own cash flow-generating assets as well as making a number of strong relationships with lenders.

This puts Melcor in a strong position and ensures it has adequate liquidity available when necessary.

The company is extremely cheap when looking at some of its metrics, such as price to book, where it currently trades for just 0.4 times. In addition, it pays a dividend that currently yields almost 4% and is highly sustainable at a payout ratio of just 33%.

Bottom line

Melcor is one of the best [real estate investments](#) an investor can make. It has good management, quality diversification, and a vertically integrated business model that can't fail. Its stock is trading near the bottom of its 52-week range and is looking extremely cheap.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRD (Melcor Developments Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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