



TFSA Investor Alert: This Stock Is the Best Way to Invest in the Red Hot Toronto Real Estate Market

Description

My regular readers are well aware that I am a huge fan of **First Capital Realty** (TSX:FCR) because I believe that [the company's "super-urban" focus](#) is the main reason it will be the most successful real estate company in Canada over the next decade.

Today I'll talk about little-known reason why First Capital is going to blow the lights out and accelerate its growth in a major way.

I love that the company is slightly understated and conservative, which means investors are never buying this stock on hype.

In fact, I would venture to say that First Capital doesn't tend to be on the radar screen for most retail investors, which suits me just fine because I can pick up shares on the cheap while others focus on REITs that are constantly in the news.

The right development site and the right partner

The little-known reason that will serve as First Capital's blockbuster growth accelerator is its investment in the former Christie's Cookies manufacturing facility site in Toronto and its grand plan to create a best-in-class master-planned community.

This 28-acre Christie's Cookies plant site is located at Park Lawn and Lakeshore in the Toronto borough of Etobicoke, right on the water.

What makes this property unique is that it's the last major block of land that borders the lake in close proximity to the downtown core that has not been built upon.

First Capital bought the site in 2016 with the Canada Pension Plan Investment Board (CPPIB) as a 50% partner. Most investors don't realize what a smart strategic move this particular partnership is, so let me explain.

CPPIB is among the most sophisticated investors on the planet with almost \$400 billion in assets under management on behalf of all of us Canadians.

CPPIB is also a long-term strategic investor by definition because its mandate is to provide a stable retirement income for all Canadians.

This partnership with CPPIB means that this is a long-term partnership and First Capital will absolutely benefit from CPPIB's experience as an owner of world-class real estate globally.

This project is a way for First Capital and CPPIB to test out how their relationship dynamic works. In the world of real estate, relationship dynamics can mean the difference between success and failure.

If the two companies jive stylistically, they will no doubt partner on more projects together, which will mean high returns for First Capital shareholders.

The embedded value of the property

This development is most exciting for First Capital because it fits the "super urban" criteria perfectly, which means it will be significantly accretive to earnings once it comes online in the next decade.

The neighbourhood in which the site is located has experienced above-average growth in population density as well as household income, highlighted by a 65% increase in the local population since 2011 with high growth expected over the next several years.

Currently, approximately 270,000 people within five kilometers of the site with an estimated average household income of \$114,000.

Smart investors who follow First Capital know that the average household income for the population near its properties is an industry-leading \$113,000.

The average income for the population surrounding this project is even more high quality than its already high-quality average demographic. This is fantastic news for shareholders, as wealthy urbanites are the cornerstone of First Capital's future success.

The property is being carried at its land acquisition cost in the company's financials at the moment, which is a pittance compared to the embedded value of the development that is being planned.

I would venture to say that the value of the property will quadruple in the next few years as all the building and zoning permits get approved and development work starts.

I believe there will be another quadrupling of value once the development is complete and the community is up and running.

Foolish bottom line

First Capital is flying under the radar at around \$22 per share, which is slightly below its net asset value (NAV).

This means that it's a fantastic opportunity for smart investors to start nibbling at shares and [watch the cash flow come in](#) as First Capital begins the development of the former Christie's Cookies site.

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Date

2025/08/19

Date Created

2019/10/26

Author

rahimbhayani

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