



A Stock to Buy Despite Vancouver's Upcoming Property Crash

Description

Madison Pacific Properties ([TSX:MPC](#)) operates office, industrial, commercial, and retail [real estate properties](#) in British Columbia, particularly in the Metro Vancouver region, Alberta, and Ontario. The company's property portfolio is 1.5 million square feet of net rentable area of industrial properties, 120,559 square feet of net rentable area of retail and highway commercial properties, and 1.74 million square feet of net rentable area of office property.

The company also provides property services, including tenant services and relationships, building operations, leasing, lease administration, property accounting and reporting, and project management. In addition, it holds ownership stakes in undeveloped residential lands in Mission, BC. The company was earlier known as Princeton Mining Corporation and changed the name to Madison Pacific Properties Inc. in 1998. It was founded in 1963 and has its corporate headquarters in Vancouver.

The company is extremely cheap, with a price-to-earnings ratio of 5.86, price-to-book ratio of 0.59, and market capitalization of \$177 million. Low-cost debt is utilized opportunistically, and the company has a debt-to-equity ratio of 0.67. The company has excellent performance metrics with an operating margin of 63.46% and a return on equity of 10.71%.

The company owns roughly \$542 million in investment and development properties, including the company's proportionate share of properties held through joint venture partnerships. The company's investment portfolio includes 48 properties with approximately 1.82 million rentable square feet of industrial and commercial space. Approximately 98.9% of the available space of the investment properties is occupied. The company's development properties include a 50% interest in the Silverdale Hills LP which owns approximately 1,373 acres of undeveloped residential designated lands in Mission, BC.

In 2018, the company sold one industrial property and a 50% interest in a commercial property, both located in BC. The company also entered into a partnership with a residential developer to rezone and redevelop the property for residential and commercial use. The company's 50% interest in the investment property was transferred to Barnet LP and is accounted for as an investment in jointventure using the equity method.

The primary objective of the company's [capital management](#) is to ensure that it maintains sufficient capital to support the business and maximize shareholder value. The company manages the capital structure with the objective of minimizing risk to the stability of cash flows from properties. The company's goals include maintaining the debt service coverage, interest covenants, and debt-to-equity ratios as required by the company's line of credit agreement. The company's capital includes mortgage and construction loans, a line of credit and stockholders' equity.

Property revenues in Q3 2019 decreased year over year due to the sale of one industrial property and a 50% interest in a commercial property in 2018, lower project management fees, and the accounting for revenue of the company's 50% interest in the property in the Barnet LP using the equity method. Property revenues for Q2 2019 increased compared to the previous quarter due to an increase in recoverable operating expenses and the addition of rental income from the completion of two properties under development.

Madison Pacific Properties provides unique exposure to the Vancouver real estate industry and is very inexpensive at current prices.

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