



TFSA and RRSP Investors: This Value Stock Pays an 8.5% Dividend

Description

Morguard Real Estate Investment Trust ([TSX:MRT.UN](#)) is a [closed-end trust](#) with total real estate assets of \$2.9 billion. The stock pays a whopping 8.5% dividend.

The company is extremely cheap with a price-to-book ratio of 0.45 and market capitalization of \$699 million. Low-cost debt is used by the company to leverage returns and the debt-to-equity ratio is 0.86. The company has excellent performance metrics with an operating margin of 53.74%.

The objective of the company is to accumulate a Canadian portfolio of [high-quality real estate assets](#) and then actively manage the portfolio to generate steady, dependable returns for shareholders through a stable and increasing cash flow. This offers the potential for long-term capital appreciation and wealth accumulation.

The company owns a diversified real estate portfolio of 48 commercial properties consisting of approximately 8.5 million square feet of gross leasable area located in six provinces. The real estate portfolio primarily includes well-located, high-quality office properties in major urban centres, large, enclosed, full-scale regional shopping malls that are dominant in their respective markets, neighbourhood and community shopping centres, and a small group of industrial properties.

Morguard experienced a solid year of activity in 2018. The company further strengthened the portfolio by focusing on a number of development and leasing initiatives, and in 2018 these efforts generated solid income. As a result, the company continues to maintain a Canadian portfolio of high-quality real estate assets and believes this would deliver maximum benefits to shareholders.

Despite the slowdown of Alberta's oil and gas sector as well as the retail sector, the company has been able to maintain high occupancy rates overall. The company's office properties in Ottawa and Morguard's strip enclosed centres are performing well. The company has a diverse portfolio that has built-in resilience to market fluctuations.

In 2018, the company secured earning potential and income through the development and re-merchandising of several retail properties. The company looked for opportunities to utilize underutilized assets, including the vacant land around retail centres as well as non-performing retail spaces.

The strategy appears to be working, as evidenced by the fact that 170,500 square feet of development projects began generating income for the company during the third and fourth quarters of 2018. The company sees these new streams of revenue as strong evidence that development efforts should continue to grow in the future. The company is also considering intensification of select properties to grow value for shareholders.

Revenue from real estate properties includes contracted rent from tenants, along with recoveries of property expenses and decreased 1.4% in the third quarter to \$66.4 million from \$67.3 million for the same period in 2018. This decrease was mainly due to reduced recoveries of property taxes for the company's properties in Calgary, resulting from reductions processed by the city.

Property operating expenses for Q3 2019 increased 7.2% to \$15.7 million from \$14.7 million for the same period in 2018. This increase was due to expenses from completion of development projects in the company's enclosed regional centres.

In summary, Morguard Real Estate Investment Trust pays a phenomenal dividend yield and trades cheaply at a price to book value of just 0.45.

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