Income Investors: This High Dividend Paying Canadian REIT Makes a Great Addition to Your Portfolio

Description

Renting is a tricky business. As a landlord, you have to acquire, plan, develop and manage properties, and ensure that tenants pay rents on time.

It's too much of a headache and one individual can't do it at scale. However, individuals can invest in a good company that manages over 34 million square feet of real estate — and does a very good job of it.

SmartCentres REIT (TSX:SRU.UN) runs a tight ship across Canada. The company focuses on value-oriented retailers and includes large, well-capitalized and well-known national and regional retailers as well as strong neighbourhood merchants, resulting in an industry-leading in-place occupancy level of 98.1%. SmartCentres was acquired by Calloway REIT in 2015 — an acquisition has only strengthened the landlord.

SmartCentres achieves this incredible rate by ensuring that its centres are located close to major highways and other major arterial roadways.

Walmart is this retail landlord's largest client, and its dominant-anchor presence ensures high traffic levels and provides a strong basis for SmartCentres to both retain existing retail tenants and have the ability to attract new retailers. Approximately 25% of SmartCentres' rent comes from Walmart.

Impressive Q3 results

The company recently reported third-quarter numbers for 2019, which have been very encouraging. Rental revenue from investment properties of $198 million was $3 million higher than the $195 million rental revenue recorded in the comparable quarter last year.

Net income, excluding fair value adjustments, increased by $3.4 million, or 3.9% to $91.5 million from $88.1 million in the comparable quarter of 2018.

SmartCentres says that it continues to experience steady demand from both existing and prospective tenants in their shopping centres. In the first nine months of 2019, they've renewed 82.6% of expiring 2019 lease maturities (the corresponding number for 2018 was 76.8%) with rental increases, excluding anchor tenants of 4.0%.

During the third quarter of 2019, the company's overall committed occupancy level improved to 98.2%, providing further evidence of the improving retail market.

What does the future hold?

SmartCentres Executive Chairman Mitchell Goldhar said during an earnings call, "Overall, we now see nine million to 11 million square feet being developed on the 50 acres of VMC lands that the [Calloway]REIT owns with my company as partner."

In the residential space, the number of potential projects and towers to commence construction in addition to SmartCentres' retail development pipeline within the next five years is currently estimated at 105, up from 82, comprising approximately 12.4 million square feet.

This development will have an estimated cost of $12.1 billion on completion, with SmartCentres REIT's estimated share being over $5.5 billion.

When you look at the good results and the impressive pipeline of projects, it's not surprising that none of the nine analysts have a "sell" recommendation on SmartCentres.

The stock currently trades at $31.78 at writing, and the lowest analyst price target on the stock is $32.5 at writing. The highest analyst target estimate is $36. But the price target is not the real reason to buy SmartCentres.

The stock pays its investors a solid dividend of 5.8%. Investors get $1.85 as annual dividend, which makes for great additional income throughout the year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:WMT (Wal-Mart Stores Inc.)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/19
Date Created
2019/12/04
Author
araghunath