



Forget Canadian Tire — Buy This REIT Instead

Description

One of the retail names I've liked the most in recent years has been **Canadian Tire Corporation** — and for good reason. The retailer has a strong business based on a strong brand, selling goods that are generally avoided by e-commerce companies due to high shipping costs and required expertise to purchase and install.

That said, there's an indirect option for investors seeking exposure to this business with less exposure to the cyclical or seasonal nature of retail: **CT Real Estate Investment Trust** ([TSX:CRT.UN](https://www.scribd.com/document/444444444/CT-REIT-Annual-Report-2020)).

CT REIT was spun off from Canadian Tire for investors seeking access to the cash flows generated from the real estate portfolio of the company — most analysts believed that the sum of the parts would be worth more than the whole.

This has turned out well for investors who jumped into CT REIT, as this trust has benefited greatly from the low interest rate environment, with many income-oriented investors choosing REITs over bonds or other fixed income products. I expect this trend to continue, as I don't see a realistic pathway to higher interest rates in the near to medium term.

CT REIT has the distinct upside of being able to take advantage of these macro drivers as well as its own unique advantages compared to other REITs. While most REITs do sign multi-year contracts with tenants, these are often renegotiated — or sometimes terminate — with the end result being some sort of vacancy rate.

CT REIT doesn't have to worry about vacancy rate, as the vast majority of its properties are single tenant, standalone properties with Canadian Tire as either the sole or anchor tenant.

This provides a highly stable stream of income for shareholders, and this type of certainty is not par for the course in the REIT space. As far as income quality and tenant quality goes, CT REIT gets blue-chip status.

Additionally the leases signed between Canadian Tire and CT REIT include yearly escalations, allowing for continued dividend growth over time, while maintaining a reasonable payout ratio over the

long term.

Dividend growth is one of the key factors I look for in any REIT investment, and CT REIT has all the makings of a Dividend Aristocrat over the long term.

Bottom line

Canadian Tire's most recent earnings report highlighted the strength of CT REIT's anchor tenant, thereby solidifying the retailer's dominant market position in key segments.

Same-store sales continue to rise, market share remains strong, and profits beat expectations — all excellent drivers for both Canadian Tire and CT REIT.

This trust is a no-brainer, in my opinion, and investors looking for a REIT to buy and hold for the next decade or two should certainly give CT REIT a hard look.

Stay Foolish, my friends.

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