Nervous Investors Need to Own This Real Estate Stock

Description

Nervous investors are wondering how to react to the recent market plunge. Some are looking to put cash to work, while others are scrambling to protect their assets.

Throughout history, real estate has been a safe haven asset. As the saying goes, it's the only thing in the world that they're not making more of.

However, you need to be careful about which real estate stocks to choose. The 2008 financial crisis exposed many weaknesses in the real estate market, some of which caused investors to lose everything.

If you choose wisely, you can protect your portfolio from market volatility *and* set yourself up for long-term capital appreciation.

One Canadian real estate stock is perfect for nervous investors. It has one of the most reliable property portfolios in the industry. And due to the market correction, shares now offer a 7% dividend yield.

Nervous investors rejoice

CT Real Estate Investment Trust (TSX:CRT.UN) is a unique real estate stock because it essentially has one tenant: **Canadian Tire** (TSX:CTC.A).

If you live in Canada, you're familiar with Canadian Tire. More than 80% of all Canadian's shop there every year. It has a century-long history and consistently ranks as one of the most trusted brands in Canada. The retailer is a one-stop-shop for all of life's necessities, including tools, auto parts, and home appliances.

CT Real Estate was created to serve as a landlord for Canadian Tire properties. The companies have a long-term agreement that ensures CT Real Estate has the right of first refusal on all new store locations.

While there are some exceptions, for the most part, Canadian Tire is the dominant tenant — a big advantage.

Canadian Tire has ample free cash flow, investment-grade credit ratings, and a proven history of managing downturns. The company exited the last two recessions stronger than ever, a big reason why CT Real Estate has a 99.1% occupancy rate, one of the highest metrics in the REIT industry.

It’s time to act

Downturns affect all stocks, even companies that don’t deserve it. The market correction has pushed CT Real Estate’s dividend yield up to 7.2%. This is a clear buying opportunity for nervous investors who don’t want to ditch the stock market entirely, but also want to insulate their portfolio from bumps and bruises.

The most important thing to know is that CT Real Estate leases its properties on *long-term* contracts. The average remaining term is 10 years. Some leases don’t expire until 2039! All contracts have annual pricing escalators that increase rent by 1.5% per year to account for inflation. Even if Canadian Tire wants to close stores, it’s still on the hook to pay CT Real Estate.

While Canadian Tire stock has been pressured by the correction, the company knows that shopper activity will eventually normalize.

Permanently closing a location is costly, so the company won’t take this action unless it believes the economy will be permanently impaired. So far, we have no such indication.

Additionally, Canadian Tire has plenty of liquidity. I’m not sure I would own the retailer itself at these prices, but owning the landlord is a different story.

Now yielding 7.2% and protected by long-term contracts with a century-old business, CT Real Estate stock is an ideal purchase for nervous investors.

CATEGORY

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2. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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