SmartCentres REIT (TSX:SRU.UN) Shares Are a Screaming Buy Today

Description

Astute investors know a market crash is the perfect opportunity to scoop up bargain stocks. But many just can't get over how quickly stocks have fallen, and they're paralyzed with fear.

Many are looking at these bargains and thinking there must be more to the story. Sure, I'm the first to admit we're living in uncertain times. But if you believe the world economy will snap back in a few months — like I do — then these stocks are the deal of the decade.

Let's take a closer look at one such opportunity: **SmartCentres REIT** (TSX:SRU.UN). You won't believe how cheap this stock is.

The skinny

SmartCentres REIT is a retail REIT with grander ambitions. As it stands currently, approximately 25% of rent comes from **Walmart**, with other top Canadian retailers accounting for another 20% or so. Approximately 50% of the company's rents from its 34-million-square-foot retail portfolio come from either grocery stores, pharmacies, or other solid operators.

The interesting part of an investment in SmartCentres REIT is the company's development portfolio. It has identified 256 different potential development projects, which could add an additional 27 million square feet to the portfolio. Opportunities include further retail projects but mostly will be in areas like residential, office space, seniors housing, and self-storage.

SmartCentres plans to leverage partnerships for these development projects to keep its costs down. It will also leverage the expertise of these partners to assist in the design and build of this new real estate. The partners will also be invaluable when managing the property. In fact, the company's main contribution in many of these partnerships is land.

The biggest project the company is working on today is in Vaughn, a massive mixed-use development that will include a total of more than one million square feet of office space, some 2,500 condos (which will be sold), an apartment building (which will be retained), and various retail shops sprinkled in. In fact, SmartCentres REIT has told investors this one project has the potential to reach 20 million square feet of gross leasable area in a decade or two.

And remember, that’s just one project. SmartCentres has the potential to do these all over Canada, which will help it slowly add to its bottom line over the long term.

An unbelievable price

When the market starts to get shaky, capital-intensive growth companies often take it right on the chin. That’s exactly what’s happening with SmartCentres REIT right now.

Shares have fallen by close to 50% in just a few months, exasperated by investor worries about credit. The credit market freezing would be disastrous for SmartCentres. So would a total economic shutdown.

Investors often get too panicked on the downside — something I think is happening here as well. Besides, you’re well compensated to take on the risk today.

SmartCentres earned $2.28 per share in funds from operations in 2019. Shares currently trade around $17.50 each. That puts us at a mere 7.7 times trailing funds from operations. The company also trades at just 65% of its book value. And if that’s not cheap enough for you, then perhaps the 10.6% yield might be enticing. The payout has been raised every year since 2014.

Oh, and one more thing. Mitchell Goldhar, the company’s chairman, has been buying shares like crazy lately. On March 18 alone, he bought more than 63,000 shares — a stake worth a little over $1 million.

The bottom line on SmartCentres REIT

It isn’t very often you get to buy great stocks at true bargain prices, but that’s exactly the opportunity available for investors in the Canadian REIT sector today. There are dozens of terrific bargains, including SmartCentres REIT.

I know it looks bleak out there, but you’ll be kicking yourself if you don’t take advantage of this opportunity.

CATEGORY

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1. Editor's Choice

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