



## Investors: 1 Huge Reason to Get Bullish on Retail REITs

### Description

I've been pounding the table on Canada's top retail REITs for weeks now, telling investors these stocks are insanely cheap.

Let's look at **Smartcentres REIT** ([TSX:SRU.UN](https://www.scribd.com/document/444444444/TSX:SRU.UN)) as an example. At one point, shares had declined by more than 50%, as investors were unsure of its ability to collect rent. Many tenants were negotiating rent deferrals, yet it was obvious mortgages on these properties would still have to be paid.

But once we looked a little closer, it was easy to realize things wouldn't be so bad. Some 25% of the company's rent comes from its top tenant, **Walmart**. It also gets a big chunk of revenue from other businesses that have been deemed essential, including other supermarkets and pharmacies. Besides, SmartCentres owns a lot of good real estate in excellent locations. The last thing any serious retailer wants to do is abandon these leases.

Many other investors realized the same thing, and SmartCentres shares have rallied sharply off the bottom. In fact, shares are up close to 50% over the last couple of weeks. Additionally, Mitch Goldhar, SmartCentres's executive chairman and largest shareholder, [has also been buying lately](#).

Now, the consensus for most retail REITs is that most of the rent is safe. Some companies might not be able to pay right away, but they will get enough stimulus money to survive.

The sector is about to get another shot in the arm — a nice boost that will definitely help retail REITs navigate this uncertain environment. Here are the details of a very important announcement for investors.

### Rent assistance announced

The federal government has been aggressively announcing new stimulus packages in an attempt to both keep the economy functioning today and to ensure most folks have a job to return to when we inevitably start back up again.

On Thursday, Prime Minister Justin Trudeau announced further stimulus plans designed to help small businesses. Measures include payroll assistance for smaller businesses, further loosening of loan qualifications, and, most importantly for retail REITs, a commercial rent-assistance program.

Here's how it'll work: the Canada Emergency Commercial Rent Assistance Program will pay the rent for certain qualified small businesses for April, May, and June.

This rental assistance isn't quite as simple as many other stimulus programs, since rent policy is a provincial jurisdiction. Trudeau told reporters the federal government will work with the provinces to ensure the program gets rolled out quickly.

Although details are sketchy at this point, it's easy to see how this is great news for the average retail REIT. Large businesses can easily access funding through banks or institutional investors if they need liquidity. It's much more difficult for small businesses to do so. With so many other priorities, entrepreneurs may simply choose to take care of their business's other needs, rather than paying rent. This new program ensures landlords will be paid.

## Helping retail REITs

Remember, the big risk to Canada's [top retail landlords](#) isn't whether they'll get paid from top tenants. Top tenants — which usually include grocery stores — are generally doing pretty well right now. They'll be able to survive this crisis, that's for sure.

The risk most investors identified was smaller businesses not paying their rent. Most small businesses should be in the clear, unless the program ends before the economy opens.

Overall, this is very good news for Canada's top retail REITs. Investors shouldn't forget that even though companies like SmartCentres REIT have already marched higher, these stocks are still cheap even when compared to a few months ago. It's still a great time to buy, especially as this commercial rent program helps.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. 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**

2025/07/02

**Date Created**

2020/04/18

**Author**

nelsonpsmith

default watermark

default watermark