



2 TSX REITs With Long-Term Value

Description

The real estate sector has seen a variety of different impacts on businesses. While some **TSX** REITs have seen little to no effect on revenues and rent collections, others are seeing a significant drop off in their revenue.

Some of these issues can be overcome, but with little to no clarity on the length of shutdowns and great uncertainty about the state of the economy when things reopen, there is still significant risk with a lot of these names.

Some companies, however, have been able to weather the impact of the shutdowns — most notably, residential real estate, which is always a defensive industry. Because these stocks are much safer, though, the REITs are still reasonably valued.

Retail REITs are the stocks that have taken it the most on the chin. Not every retail REIT is suffering, though. Two top retail REITs you can count on today are **CT REIT** ([TSX:CRT.UN](#)) and **Choice Properties REIT** ([TSX:CHP.UN](#)).

CT REIT

CT REIT is a top retail TSX investment. While most other REITs are seeing lower rent collection numbers due to COVID-19, CT REIT's income has been stable.

More than 90% of its base rent comes from **Canadian Tire** or the stores in its portfolio. Plus, [Canadian Tire](#) also owns roughly 70% of the REIT, so the company shouldn't let anything bad happen to it. As of year end 2019, CT REIT had an occupancy rate north of 99%.

Because the company is so heavily weighted to Canadian Tire, it's important to watch for its financial stability and ability to meet rent obligations as much as anything. However, at the moment, that doesn't seem to be a concern.

Another thing to look for is the growth potential of the REIT. Canadian Tire has been growing through

acquisition in the last few years, and this could have a positive impact on [CT REIT](#) long term. Furthermore, the REIT also has properties in development.

As of Wednesday's close, it had a dividend of 6%, making it one of the most attractive and reliable dividends of any REIT on the TSX.

Choice Properties REIT

Choice Properties is the other top retail REIT on the TSX. The trust doesn't have one large tenant making up more than 90% of the rent like CT REIT. However, **Loblaws** is its largest customer and accounts for more than 55%. Also, it has several high-quality staples anchoring its retail properties.

Choice was one of the first REITs to report earnings already, and the results showed what many investors had been expecting. Not only will Choice's resilient business operations be able to withstand the current environment, but the company is also in a strong financial position.

The trust has only minimal debt maturities this year and more than \$1.3 billion in available liquidity. This is important for the dividend in the near term. Lower occupancy coupled with higher bad-debt expenses could weigh on its adjusted funds from operations (AFFO).

If AFFO was affected enough, the payout ratio could exceed 100%, so it's crucial the TSX REIT has enough liquidity to help navigate the short term.

Although Choice is considered a retail REIT, the trust also has industrial and office assets. In April, the first full month of shutdowns, the trust collected about 84% of its retail rent, 97% from its industrial properties, and 89% from office.

In total, Choice collected roughly 86% of rents. As of the end of the first quarter, the trust's occupancy REIT was 97.5%.

Choice is an extremely high-quality long-term investment. Its portfolio of high-value properties coupled with reliable tenants make it one of the most attractive REITs on the TSX. Plus, at current prices, the dividend yields roughly 5.75%.

Investing in TSX REITs

Investing in TSX REITs can be a great long-term strategy. Real estate is always an essential sector of the economy and therefore makes for great investments.

However, what we're experiencing right now is an unprecedented event, and many REITs may not have been expecting it, so there is some risk to the sector.

The most important thing is to make sure any potential investment doesn't have debt obligations in the near term that may exceed liquidity.

As long as there is adequate liquidity, and the REIT looks resilient, it will be a top investment today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:CRT.UN (CT Real Estate Investment Trust)

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