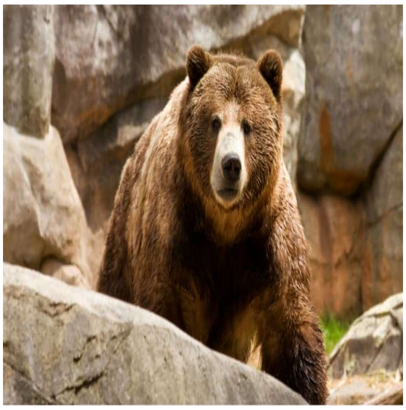

Buy This Real Estate Stock to Avoid the Next Bear Market

Description

Canadian Tire Corporation (TSX:CTC.A) is a Canadian icon. It has near-complete name recognition. With billions in annual revenue, a location is within driving distance for the vast majority of residents. What if you could own the real estate beneath every Canadian Tire store?

There aren't many synergies in combining a property and retail business, so Canadian Tire opted to split each business into a separate entity. Canadian Tire stock would continue to operate the retail segment, while another company would essentially become the landlord.

In 2013, **CT Real Estate Investment Trust** (TSX:CRT.UN) was created to own and operate the underlying property. Since then, shares have risen by 40%, plus an annual dividend of around 5%. In combination, capital gains and dividends have delivered double-digit annual returns since inception.

This story is far from over, however. CT Real Estate has some incredible advantages that will allow shareholders to sail through the next bear market. If you want to grow your capital *and* mitigate your risk, this stock is for you.

Build for the long term

CT Real Estate has a simple business model. It has a preferential relationship with Canadian Tire, giving it the right to become the property owner for all additional stores — not to mention the 350 locations it already controls.

All of these properties are leased on long-term contracts averaging a decade in length, although some deals persist for *several* decades. Every contract includes built-in pricing escalators to offset the impact of inflation.

In total, CT Real Estate has a ton of cash flow visibility. It knows with clarity how much it will earn several years in advance. That's a huge benefit when markets turn volatile.

Own this real estate stock

But what about the COVID-19 crisis? Retails have been devastated. Will CT Real Estate eventually feel the pain?

So far, conditions look reasonable. About 97% of expected rental receipts have come in on time, with a company-wide occupancy rate of 99.4%. The 5.6% dividend appears very safe. That’s an incredible feat.

The company also has $315 million in cash and liquidity, with zero debt maturities this year, giving it more cushion if additional turmoil hits.

If you want to protect your capital without sacrificing the potential for long-term upside, there are few better stocks than this one. Even if the coronavirus pandemic persists through 2021, this company will remain steady.

The only way shares will lose is if the COVID-19 crisis somehow lasts for five or more years. In that scenario, Canadian Tire will eventually be forced to shrink. As its biggest tenant, CT Real Estate will be directly in the line of fire.

But this worst-case scenario is still years away. Even with lower consumer spending, CT Real Estate will continue to achieve business as usual thanks to its decade-long contracts. That means slow but steady growth with a continued 5.6% dividend.

If you’re looking to buy discounted real estate, now’s your chance. In this case, you become the landlord of one of the most successful companies in Canadian history, with favourable contracts that limit your downside.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2020/08/12
Author
rvanzo