This 1 Stock Just Became Too Cheap to Ignore

Description

The pandemic has hit every sector a bit differently. Its impact wasn't just evident in industries and sectors slumping, but it shows in the recovery as well. Sectors like tech were quick to recover, while real estate and energy are having trouble. The **TSX** capped real estate index is still down 26% from its pre-pandemic highs.

Few stocks in the sector showed remarkable recovery, while few managed gain any kind of recovery momentum. The underlying assets of real estate companies also played a part. Retail dependent REITs suffered greatly, not just because of current poor performance but also the fear that retail might keep suffering until the pandemic is truly behind us. Whereas logistics and warehouse related REITs benefitted from the e-commerce boom.

If we consider what commercial real estate is going through, it's easy to see why **True North Commercial** (TSX:TNT.UN) struggles to recover its pre-pandemic valuation.

The company

True North has a well-diversified portfolio of commercial properties. It owns 49 properties across five provinces, and total assets are worth $1.4 billion. Despite a brutal season, its occupancy until the second quarter was 97%. Perhaps the strongest point in True North's favour is its tenant mix. Three-fourth of its revenue is generated from government and credit-rated tenants.

Some of its lead tenants include the Federal government, BC, New Brunswick, Ontario, and National Bank of Canada. These types of tenants can ensure that the company doesn't see revenues going down substantially, even in the middle of a pandemic. About 41.5% of its properties are in Greater Toronto Area.

The stock

True North Commercial is currently trading at $5.7 per share. That's about 30% lower than its pre-pandemic high, and the company has been stuck around this price range for a few months now. While it's a mess from a capital growth perspective, the low valuation has made the dividend yield extra sweet – a mouthwatering 10.4%. If you invest $12,000 into the company, you can enjoy a monthly payout of over $100.

While it has pushed the payout ratio into a perilous territory near 200%, the company has gone through worse than that. It sustained its dividends through a payout ratio of 341% in 2014. The balance sheet is strong, and the second quarter's revenue grew compared to last year's revenue for the same quarter.

Net income took a massive hit, mostly due to fair value adjustment. Cash from operating activities is almost double that of the second quarter of 2019. The company will announce its third-quarter results in November, which could give investors more insights on the company's prospects.

Foolish takeaway

At its current share price and a price-to-book of 0.9, the company is too cheap to ignore. It might not offer much in the way of capital growth, but the yield is reason enough to add this REIT to your portfolio. With dependable tenants and a very high occupancy rate even during the pandemic, the company seems like a good candidate for a long-term dividend holding.

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