1 Fantastic Stock That Just Became Too Cheap to Ignore

Description

The impact of the 2020 market crash varied drastically from sector to sector. Some sectors, like tech, recovered in a matter of months, while some are still struggling to break the surface. Even within individual sectors, some companies managed to reclaim or even rise above their pre-pandemic valuations, while some are still trading at a discount.

For investors who already have these struggling stocks in their portfolios, the situation might not be ideal, especially for the ones that rely on the growth of these stocks and not the dividends. But for other investors, these stocks present a valuable buying opportunity. One stock that had trouble recovering after the pandemic and has now become quite attractively valued is **Canadian Apartment Properties REIT** (TSX:CAR.UN).

A growth-oriented Dividend Aristocrat

Canadian Apartment Properties REIT has been growing its dividends for the past eight years, which is quite decent for the sector, considering the oldest aristocratic REIT has grown its dividends for nine years. The dividend growth is more symbolic than functional since it has only grown its dividends by 13% in the last five years. And the 2.83% yield is also not something to write home about.

But this fantastic stock shines in one area: capital growth. Before the crash, the stock grew its market value by almost 100% in the preceding five years. Even now, when it’s trading at an 18% discount, its 10-year CAGR is at 15.8%. Just one more decade at this pace, and you can turn a one-time $6,000 investment into a $26,000 nest egg.

An impressive portfolio

This REIT has a market capitalization of $8.5 billion, making it the second-largest REIT after **Brookfield**. The enterprise value is $13.7 due to the debt-heavy nature of the business, but the balance sheet is strong. The REIT has an impressive portfolio of 65,000 units, mostly residential apartments and some townhouse suites. In Canada, 76% of the portfolio is concentrated in Ontario and Quebec, and the rest is scattered in five other provinces.

A significant portion of the total portfolio is located in Europe, predominantly in two countries: the Netherlands (5,623 suites) and Ireland (3,666 suites). This international exposure diversifies the portfolio and partly hedges against headwinds in the local real estate market.

In 2020 (third quarter), the occupancy rate dropped a bit (97.7% compared to 98.2% for the same quarter last year), but the NOI margin increased. The company has grown both its revenues and net income consistently for the last 11 years.

Foolish takeaway

Most investors add REITs to their portfolios because of the generous dividend yields they offer. But this crash has reiterated the notion that a REIT's payouts might be fickle. In contrast, CAP REIT didn't just retain its position as a Dividend Aristocrat, but it also offers capital growth potential that's significantly better than most of the sector. Right now, this amazing stock is available at a considerable discount, and it should be on your radar.

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