



## RRSP Investors: Top Stock for January 2021

### Description

**Artis** ([TSX:AX.UN](#)) is a [diversified Canadian real estate investment trust](#) investing in office, retail and industrial properties. Artis has executed an aggressive but disciplined growth strategy over the last decade, building a portfolio of commercial properties in British Columbia, Alberta, Manitoba, Saskatchewan, Ontario and certain markets in the United States.

Artis' commercial property by asset class is approximately 43% office, 14% retail and 43% industrial. The portfolio by leasable area is located 2% in British Columbia, 15% in Alberta, 6% in Saskatchewan, 15% in Manitoba, 16% in Ontario, 8% in Arizona, 24% in Minnesota, 7% in Wisconsin and 7% in other parts of the United States.

The company is very attractively priced, with a price-to-earnings ratio of just 8.71, a price-to-book ratio of 0.67, and market capitalization of \$1.42 billion. Debt is very conservatively used by Artis, as evidenced by a debt-to-equity ratio of 1.1. The company has excellent performance metrics with an operating margin of 57%.

The company's provides a [tax-efficient monthly cash distribution](#) as well as long-term appreciation in the stock price through the accumulation and effective management of best in class commercial real estate properties. Historically, Artis' has done well in identifying opportunities to make accretive acquisitions, develop new generation real estate and dispose of assets that are not aligned with the company's long-term strategy.

Recently, Artis has extracted value through leasing initiatives that focus on maintaining strong occupancy levels. As a result, the company has realized the gain between in-place rental rates and market rental rates. Artis has also created value through strategic asset redevelopment and property intensification initiatives, and through new development projects.

New developments have provided Artis with an opportunity to build and own newer buildings. Management are disciplined capital allocators and have considered development opportunities only in circumstances where the return on a development project is higher than that of acquiring an existing property.

Artis has always adopted a long-term conservative approach to financial management, characterized by diligent balance sheet management, and prudent management of financial metrics, such as debt ratios, interest coverage ratios, payout ratios, and per unit metrics. Artis has minimized interest rate risk effectively by utilizing various sources of capital, and staggering debt maturities.

Artis' most recent financial statements have indicated that the company has ample access to cash to fulfill distribution obligations and for ongoing operations, which includes re-investing in the portfolio, making accretive acquisitions and funding development projects.

The company's net asset value (NAV) per unit is well in excess of \$15 per unit and unencumbered assets have increased over time. Portfolio occupancy remains in excess of 90% and the company has been actively reducing exposure to the Calgary office market, a strategy which is expected to pay off over the long term.

Recently, Artis also disposed of an office property in Arizona and another in Toronto, Ontario for total sale prices of \$215 million to fund share buybacks and to acquire a surface parking lot in Manitoba. The company has opportunistically utilized the normal course issuer bid to repurchase common units and preferred units below intrinsic value. Increased share buybacks could cause the share price to climb significantly higher.

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