



## TFSA Investors: Buy Canada's Safest Real Estate Stock

### Description

**Chartwell Retirement Residences** ([TSX:CSH.UN](#)) is an open-ended [real estate investment trust](#) which owns and operates a complete range of seniors housing communities from independent living through assisted living to long-term care. It is the largest owner and operator of senior residences in Canada.

Chartwell's delivers exceptional services and quality care to residents and ensures high resident and family satisfaction, which the company believes is the [best way to enhance occupancy](#) and grow revenues. Chartwell capitalizes on strong demographic trends to maximize the intrinsic value of the company's portfolio of retirement residences. The company seeks to grow organically and through accretive acquisitions.

The company has a price-to-book ratio of 3.05, dividend yield of 5.7%, and market capitalization of \$2.29 billion. Debt is high at Chartwell, as evidenced by a debt-to-equity ratio of 3.44. The company has depressed performance metrics with an operating margin of 9.86% and a return on equity of (1.08)%.

Broadly speaking, the seniors housing industry serves the needs of Canadians aged 75 and over seeking housing. The seniors housing sector in Canada is highly fragmented, with the three largest operators accounting for approximately 13% of the retirement housing and long-term-care suites. While the industry remains fragmented, consolidation of ownership has, over the past decade, resulted in a higher level of professional management, cost efficiencies, and access to capital, which have improved the quality of services and choices available in the industry.

Given the favourable demographics, the seniors housing industry in Canada should benefit from sustained demand, which will benefit Chartwell. Generally, as long as living arrangements are satisfactory, seniors generally prefer to remain in a particular retirement residence setting, unless changing health status demands otherwise. Affordability is not generally an issue once a particular residence is selected.

Recently, Chartwell formulated a clearly defined business strategy to better align initiatives and

resources across the organization. The company's biggest competitive advantage is that it ensures an exceptional resident experience by providing personalized services. Chartwell gets to know each client well and provides services specific to individual preferences and needs.

The company targets the mid- to upscale retirement market. Specifically, Chartwell target residences in urban and suburban areas and does not operate in markets with populations less than 25,000. In addition, to achieve management efficiencies, the company operates in the four most populous provinces of Canada (Ontario, Québec, British Columbia, and Alberta). The retirement segment represents 85% of Chartwell's total suites.

Long-term-care operations generate stable cash flows, meaningful economies of scale and significant operating expertise, particularly in the area of nursing care. Chartwell's strategies for organic, acquisition and development growth are consistent with the company's business strategy. Chartwell owns the properties it operates and does not manage residences for third-party clients. However, Chartwell considers strategic portfolio management and co-investment opportunities with institutional or other well-capitalized partners on an opportunistic basis.

Ownership of Chartwell provides retail investors with exposure to a unique asset class. Demand for retirement housing is likely to grow exponentially in the coming years, which will benefit the company.

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