TFSA Investors: Hold This Value Stock for 20 Years

Description

CT Real Estate Investment Trust (TSX:CRT.UN) focuses primarily on triple-net, long-term leases to investment-grade tenants. It owns, develops, and leases income-producing commercial properties located primarily in Canada. CT REIT owns a geographically diversified portfolio comprising of standalone properties, primarily occupied by **Canadian Tire** stores, multi-tenanted properties, industrial properties, mixed-use commercial properties, and development properties.

The company has a price-to-earnings ratio of 42.30, price-to-book ratio of 2.41, dividend yield of 0.37%, and market capitalization of $3.58 billion. Debt is very sparingly used at CT REIT, as evidenced by a debt-to-equity ratio of just 0.80. The company has excellent performance metrics with an operating margin of 75.36% and a return on equity of 5.46%.

The principal objective of the REIT is to create value over the long term by generating reliable, durable, and growing monthly cash distributions on a tax-efficient basis. To achieve this objective, management is focused on expanding the REIT's asset base while also increasing earnings and free cash flow.

Future growth is expected to continue to be achieved from a number of sources including contractual rent escalations of approximately 1.5% per year on average and contractual arrangements with Canadian Tire. CT REIT is also expected to leverage business development relationships in order to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

In total, CT REIT owns a portfolio of 370 properties, including 11 ground leases. The portfolio consists of 360 retail properties, four industrial properties, one mixed-use commercial property, one development property. The properties are located in each of the provinces and in two territories across Canada. Together, the retail properties, industrial properties and mixed-use commercial property contain approximately 29 million square feet.

The retail properties are made up of 286 single-tenant properties, 64 multi-tenant properties anchored by a Canadian Tire store, and seven multi-tenant properties. The company's properties are well located, and the portfolio has stable characteristics, which include high occupancy, staggered lease maturities, and strong retailing attributes, including location, traffic, visibility, frontage, and parking. The properties are generally located in commercial areas and are often located in close proximity to supermarkets and other large-scale retailers, attracting a high volume of customers.

CT REIT’s properties are geographically diversified between urban, medium, and small markets across Canada with 66% of the annualized base minimum rent being from properties located in urban markets, often in close proximity to major retail areas and commercial arteries with high visibility.

Canadian Tire is the REIT’s most significant tenant and has leased 26.5 million square feet, with approximately 86.1% attributable to retail and office and 13.9% attributable to industrial properties. The weighted average term of the retail leases was 8.8 years, excluding the exercise of any renewals. Canadian Tire is expected to be the REIT’s most significant tenant and is expected to be for the foreseeable future. Canadian Tire stores, industrial properties, and an office represents approximately 91.6% of the REIT’s annualized base minimum rent.

CT REIT appears extremely cheap, and the company’s anchor tenant is thriving. Investors purchasing stock at these prices are likely to do very well.

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