

Value Investors: 1 Safe Stock to Own As the Pandemic Ends

### **Description**

**RioCan Real Estate Investment Trust** (<u>TSX:REI.UN</u>) owns, manages and develops retail-focused, increasingly <u>mixed-use properties</u> located in prime and high-density transit-oriented areas. RioCan's portfolio comprises over 200 retail and mixed-use properties with an aggregate net leasable area (NLA) of 38.26 million square feet, including office, residential rental and 14 properties under development.

Retail accounts for 90.6% of RioCan's <u>annualized rental revenues</u>, followed by office at 7.8% and residential at 1.6%. However, the development of several residential rental buildings are currently underway. As these are completed and stabilized occupancy is achieved, the residential proportion of the RioCan's portfolio is expected grow over time, resulting in an increasingly mixed-use portfolio.

## Prudent and scalable strategy

Despite the current pandemic environment, RioCan is focused on a longer-term growth strategy while continuing to adapt and evolve to the ever-changing economic and business environment. RioCan's tenant base has become more diversified, and service-oriented.

RioCan generated 90.0% and 51.3% of the company's annualized rent revenues from the six major markets and the Greater Toronto Area (GTA), respectively in line with the company's strategic milestones of 90% and 50%, respectively.

## **Driving organic growth**

RioCan drives strong organic growth by strategically evolving the tenant mix of the company's properties and improving the operating efficiency and cost structure of the company's portfolio as well as leveraging existing strengths, such as strong relationships with high quality tenants and partners, economies of scale and experience.

In addition, RioCan continually searches for ways to create new sources of income from ancillary

revenues, fee income from joint venture arrangements and incremental growth through new pads and redevelopments. At the same time, to better serve changing consumer habits and spending patterns, RioCan consistently looks to innovate and actively explores opportunities to improve properties for better and more efficient uses.

## **Enhancing intrinsic value through development**

Over the past 27 years, RioCan has accumulated a robust portfolio of income producing properties with significant redevelopment potential that are strategically situated on or near existing or government approved transit line expansions. Despite the pandemic, RioCan has focused on optimizing the value of the company's existing properties through a mixed-use development program. The program allows the RioCan to diversify the company's portfolio with residential real estate including both rental and townhouse projects.

RioCan benefits from the ability to marry strong retail with strong residential, serving as an exceptional amenity and adding value to the residential offering. Mixed-use developments should ultimately drive future revenue growth and deliver net asset value (NAV) growth to unitholders. The development program will also decrease the average age of the portfolio and over time, RioCan is expected to t Watermark ultimately benefit from lower capital expenditure requirements.

# **Financial flexibility**

RioCan pursues a disciplined property developmental strategy with a strong focus on the GTA to meet the evolving needs of the communities it serves. Also, RioCan prudently manages the company's balance sheet and capital structure. The company targets to maintain low leverage, staggers outstanding debt maturities and limits variable rate debt to reduce interest rate and refinancing risk.

Overall, RioCan has the ability to maintain the strong liquidity and financial strength needed to drive growth and thrive in an everchanging marketplace.

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