1 Top REIT Investors Seem to Like Today

Description

For retirement residences, the pandemic provided an absolutely brutal blow. Higher than industry average losses stemmed from significant regulation on this sector.

Indeed, shares of **Chartwell Retirement Residences** (TSX:CSH.U) have greatly underperformed the broader market. Investors appear to remain concerned with the regulatory headwinds in this sector. Chartwell's prior outperformance due to the long-term catalysts driving demand in senior housing has seemingly dissipated.

That said, there's room for optimism among these stocks today. Here are a couple of reasons why investors may want to change their tune on this REIT today.

Executives bullish on recovery

If Chartwell's executives are to be believed, the company has done an excellent job of managing through this pandemic.

At least, the bonuses the company's executive team gave themselves indicates so.

Recently, Chartwell's executive team awarded each of its top four executives bonuses of more than $1 million. The company cited strong employee engagement, customer satisfaction, and the company's public reputation in announcing these bonuses. Furthermore, the company's executives believe that the negative impacts on this business were largely out of their hands. Tighter regulations led to a limiting of new residents into Chartwell's homes. When restrictions are lifted, Chartwell's management team believes this company will do just fine.

I think that assessment is probably accurate. There's not much many companies could do in light of the regulations brought upon specific industries as a result of the pandemic. For investors who believe there is light at the end of this tunnel, beaten up stocks like Chartwell could certainly be intriguing at these levels.

Strong performance through a pandemic

When thinking of recovery plays, Chartwell is probably the last firm that pops in our mind. However, a glance through its fundamentals paints a promising picture.

It has been battling low occupancy rates for a while now, and the current value of 82% is below its historical average. However, this figure also needs to be kept in context. Due to the aforementioned regulatory environment limiting new guests at its retirement residences, a lower occupancy rate can be expected for some time.

Now, the question is: How much pent-up demand will drive future growth?

The company notes that the majority of its staff and residents are already vaccinated. As such, this company will greatly benefit as lockdown restrictions are loosened or lifted over time. For now, patent investors can pick up a 5% dividend yield to wait. That's not bad, particularly if one expects margins to improve and earnings to get back to their pre-pandemic levels.

Bottom line

I think Chartwell REIT is an intriguing pandemic recovery play. This stock still trades at a meaningful discount to pre-pandemic levels, with lots of upside potential if the regulatory environment improves.

Indeed, this company's balance sheet doesn't look the best right now. However, Chartwell has the liquidity to make it through this pandemic and come out the other side stronger.

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