



Value Investors: 1 Attractive Long-Term Stock to Buy Today

Description

True North Commercial ([TSX:TNT.UN](#)) was formed to indirectly [acquire office properties](#) across Canada and such other jurisdictions where opportunities exist. The real estate investment trust (REIT) owns 47 office properties located in the jurisdictions of Alberta, British Columbia, New Brunswick, Nova Scotia, and Ontario, representing an aggregate of approximately 4.8 million leaseable square feet.

The REIT's properties are well located in urban and [select strategic secondary markets](#) and predominantly tenanted by government or credit-rated organizations. As of December 31, 2020, the REIT has occupancy rate of 98% with government and credit-rated tenants contributing 75% of annualized gross revenue with a remaining weighted average lease term of 4.7 years.

Excellent relationship with tenants

The REIT's occupancy is about 98% with a weighted average remaining lease term of 4.7 years. Approximately 96% of tenants with lease maturities during 2020 were renewed or replaced. The REIT measures performance based on tenant retention. Generally, it is mutually beneficial to maintain long-term relationships with quality tenants, which results in lower leasing costs. The REIT has outperformed industry averages with a tenant-retention rate of approximately 81% since the company's inception.

Despite the continued uncertainty, duration, and impact of COVID-19, the REIT successfully completed 3,600 square feet of new lease deals with a weighted average lease term of four years in the fourth quarter of 2020. The largest leasing transactions completed in 2020 included 23,300 square feet in Alberta and 13,600 square feet in New Brunswick. The REIT is not allowed to incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total indebtedness of the REIT would be more than 75% of gross book value.

Long-term leases

During the quarter, the REIT renewed and replaced 56,700 square feet with a weighted average lease

term of six years. This included lease renewals of approximately 51,200 square feet in Ontario, of which approximately 32,500 square feet was with the Canadian government. The REIT's renewal activity achieved a 6.4% increase over expiring rental rates with a weighted average lease term of 8.1 years. This included a key nine-year renewal with the Canadian government, the anchor tenant, at 340 Laurier Avenue West in Ottawa, Ontario, totaling 272,700 square feet.

The REIT's portfolio comprised 47 office properties totalling approximately 4.8 million of gross leasable area (GLA) and was 98% occupied. The REIT identifies required capital expenditures at the time of acquiring a property by commissioning building condition assessments from independent professional consultants.

The assessment typically identifies the immediate capital requirements, evaluates the major building systems, and includes an estimate of the capital expenditures expected to be incurred over the first 10 years post-acquisition. These findings form the basis of the capital expenditure budget for each building and are taken into account in assessing the viability of the acquisition.

Effect risk mitigation

The REIT's strategy is to maintain a combination of short, medium, and long-term debt maturities appropriate for the overall debt level of the REIT, taking into account availability of financing, market conditions, and the financial characteristics of each property, while seeking to extend the current weighted average term to maturity and achieve staggered debt maturities on upcoming mortgage renewals.

Overall, the company is inexpensive and could make an attractive long-term portfolio holding.

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1. Investing

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1. canada
2. Editor's Choice

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