TFSA Value Stock: 1 Unique Investment Opportunity for Enterprising Investors

Description

Automotive Properties ([TSX:APR.UN](#)) is a real estate investment trust (REIT) whose principal business is owning and acquiring well-located automotive dealership properties across Canada. The Dilawri family took the initiative in creating the REIT in order to establish a growth-oriented real estate entity.

The REIT is benefitting from consolidation of the [automotive dealership industry](#) and the company's relationship with the Dilawri Group, which retains a significant economic interest in the REIT. The REIT owns a portfolio of 66 income-producing commercial properties, representing approximately 2.5 million square feet of gross leasable area (GLA), in metropolitan markets across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Québec.

Robust business strategy

The primary strategy of the REIT is to [create unitholder value](#) over the long term by generating sustainable tax-efficient cash flow and capital appreciation through the REIT's ability to execute external and internal growth strategies. To achieve this objective, management seeks to expand the REIT's asset base while increasing adjusted funds from operations (AFFO) per unit through accretive acquisitions of properties from dealership groups as well as contractual rent escalations.

The REIT maintains a strong balance sheet and practices prudent financial management to minimize financial risk for unitholders. The REIT provides unitholders with stable, predictable, and growing monthly cash distributions on a tax-efficient basis and enhances the value of the REIT's assets in order to maximize long-term unitholder value.

Multiple sources of cash flow

The company has a well-defined, long-term growth strategy, supported by multiple sources of cash flow growth, including accretive acquisitions of properties from dealership groups, and contractual rent escalations. Management believes that the REIT will be able to pursue numerous sources of accretive,

external growth, which will provide the REIT with attractive opportunities to increase scale and AFFO per unit. These sources include the acquisition of properties from the Dilawri Group pursuant to the strategic alliance agreement as well as acquisitions from third-party dealership groups.

Management utilizes a disciplined approach in acquiring properties, with a primary focus on acquiring strategically located automotive dealership properties in key Canadian markets. This contributes to the REIT's ability to generate stable, predictable, and growing monthly cash distributions.

Growth by acquisition

Due to the highly fragmented nature of the automotive dealership industry in Canada, the REIT is well positioned to capitalize on opportunities for accretive acquisitions from other dealership group vendors. Of the approximately 3,500 automotive dealerships in Canada, the top 10 dealership groups represent less than 10% of total dealerships in operation.

The REIT should be able to capitalize on the automotive dealership industry fragmentation, as succession planning issues make the sale of a dealership's underlying real estate an attractive liquidity alternative, allowing dealers to monetize real estate while retaining ownership and control to redeploy capital to expand the business.

Automotive Properties REIT represents a unique alternative for automotive dealership operators considering a business sale or recapitalization, as the REIT is currently the only public vehicle in Canada focused on consolidating automotive dealership real estate properties. The REIT's focus on geographical diversification in strategic markets should serve it well over the long term.

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