



TFSA Investors: 1 Low-Risk Real Estate Value Stock Focused on Great Locations

Description

Wall Financial ([TSX:WFC](#)) is a Canadian public [real estate investment and development](#) company. The company's historical asset base consists of residential apartment properties and hotels located in the Metro Vancouver region of British Columbia. The majority of these properties were built by the company and continue to be managed by the company.

At January 31, 2021, the total number of hotel units was about 950, and the total number of residential and commercial units was about 1,400. These properties provide a stable income stream and capital appreciation, which is utilized for further asset growth, investment in development properties for resale, and to pay dividends to shareholders.

Diverse revenue segments

The company operates in three different segments of the real estate industry. These include the ownership and management of revenue-producing residential and commercial properties, the ownership and management of hotel properties, and the development and sale of residential housing units which is also referred to as development properties.

The residential units are leased primarily for one-year terms and all leasing arrangements are governed by the Residential Tenancy Act (British Columbia). Rental rates are increased on tenant turnover or, historically, on the annual anniversary date of each tenant's date of occupancy. The provincial government, however, has decreed in response to the COVID-19 pandemic that no rent increases may be issued to existing tenants until July 01, 2021.

Robust capital improvements

Further, the company owns and manages two hotel properties in Metro Vancouver and has been in the hospitality sector since 1994. The average turnover rate for all of the company's units is approximately 20% annually. To keep properties competitive, properties are [regularly upgraded](#) to ensure that the company achieves market rental rates. Upon acquisition, older properties are typically renovated.

In February 2020, the company purchased two additional units at the 1050 Burrard property at a cost of \$1.8 million. On January 30, 2019, the company acquired a 50% interest in a property located in Vancouver for \$7.6 million.

Low-risk development

The company is active in the development and sale of residential housing. It is Wall Financial's policy to only acquire land for development that is zoned for the intended use, or where the required rezoning is contemplated and encouraged by the governing authorities. All construction projects are managed through fixed price contracts with general contractors or sub-contractors.

The majority of the company's assets are located in Metro Vancouver and are all solely related to the real estate industry in that market. Vancouver's economy is influenced by the demand for new housing in the region, which is primarily impacted by interest rates, growth in employment, migration, and general economic conditions.

Focused on great locations

The company's primary risks are general economic conditions and local market conditions, reduced revenue growth in the event of increased vacancy rates, the inability to increase rental rates due to oversupply, restrictive government legislation or changes to government legislation, and the failure to maintain the properties at a competitive level. The company manages these risks by insisting on a high standard of maintenance and invests only in those locations highly desired by tenants. This should ensure superior risk-adjusted returns in the future.

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