



Canada's Safest Real Estate Stock Could Outperform

Description

With the outbreak of the COVID-19 pandemic in March, **Canadian Apartment Properties Real Estate Investment Trust** ([TSX:CAR.UN](#)), also known as CAPREIT, faced significant and [unprecedented challenges](#) in how to manage the company's business and ensure the well-being and safety of the company's residents and employees.

Preserving capital while maintaining a strong and flexible financial position, and mitigating risk

In response, the company rose to the challenge. CAPREIT's team [demonstrated commitment](#) and resilience as it met the company's goals of preserving capital while maintaining a strong and flexible financial position, and mitigating risk. Most importantly, despite the numerous challenges presented by the pandemic, CAPREIT generated another record year of growth and strong financial performance in fiscal 2020, a testament to the experience and dedication of the CAPREIT team.

Near-full occupancies and a solid increase in average monthly rents

Also, in fiscal 2020, CAPREIT reported a solid year in operating revenues, which rose 13.0% to \$882.6 million, driven by the company's portfolio growth, continuing near-full occupancies, and a solid increase in average monthly rents. With this revenue growth, combined with CAPREIT's proven and successful property management programs, net operating income (NOI) rose a very strong 13.8% to \$578.2 million for the year.

Another year of solid organic growth

Further, CAPREIT also generated another year of solid organic growth as NOI for the company's stabilized property portfolio increased 3.9%. Normalized funds from operations (NFFO), a key

performance benchmark, increased 14.7% in fiscal 2020 to \$389.0 million, resulting in another year of accretive growth as NFFO per unit rose 6.3% to \$2.27 per unit despite the 7.9% increase in the weighted average number of units outstanding.

Maintaining a strong and flexible financial position

Additionally, CAPREIT's payout ratio of distributions declared to NFFO remained very conservative at 61.0%. Notably, CAPREIT appears to have met the company's goal of maintaining a strong and flexible financial position. Total debt to gross book value was a conservative 35.5% at year-end, well within CAPREIT's guidelines and providing the resources and flexibility to maintain CAPREIT's track record of growth.

Capitalizing on low interest rates

Overall, CAPREIT's mortgage portfolio remains well balanced with a weighted average term to maturity of 5.8 years, adding to the stability of the company's long-term cash flows. CAPREIT also continues to capitalize on low interest rates, reducing the company's weighted average interest rate to 2.6% at the end of the most recent quarter.

Strongest liquidity position in a 23-year history

Furthermore, CAPREIT's liquidity position is the strongest in the company's more than 23-year history. Including cash, available capacity on CAPREIT's credit lines, the ability to finance CAPREIT's existing mortgages, and potential financing on the company's portfolio of \$977 million in unencumbered assets, including the company's recent operating lease buyouts, the company has total liquidity available of over \$1.9 billion.

Proof that the company can generate strong and growing returns for unitholders

Clearly, it does not appear that CAPREIT would intend to access all of these capital resources at one time, but even if it did, the company's leverage ratio would remain a very conservative 42%. CAPREIT's solid performance through the pandemic is further proof that the company can generate strong and growing returns for unitholders, in both good and bad economic times.

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