Top Real Estate Stock to Own for Decades

Description

Canadian Apartment Properties Real Estate Investment Trust (TSX:CAR.UN), also known as CAPREIT, has done an excellent job of growing the portfolio and achieving portfolio diversification. In 2020, CAPREIT acquired 3,262 residential suites and manufactured housing community (MHC) sites well located in the company's target markets for a total purchase price of $820.2 million.

Canada's largest multi-family residential real estate investment trust

In addition, CAPREIT's total portfolio grew to 63,790 suites and sites with a fair value of $15.0 billion at year-end, maintaining the company's position as Canada's largest multi-family residential real estate investment trust (REIT). In late 2019 and through 2020, CAPREIT completed the buyout of 12 of the company's 15 operating leases in the Greater Toronto Area for a total cost of $173.3 million.

Unlocking the potential for future new development opportunities

Further, CAPREIT acted on these buyouts earlier than scheduled, resulting in a 31% discount to the agreed-upon price for the properties. The transition to fee simple ownership for these properties adds material new financing capacity, meaningful net asset value accretion, and unlocks the potential for future new development opportunities. All of these factors are great for CAPREIT.

Proven asset allocation strategy

Additionally, CAPREIT's asset allocation strategy is working well. Looking ahead, CAPREIT looks set to continue to deliver on the company's proven asset allocation strategy in three targeted areas. CAPREIT's primary focus targets further growth in the Canadian apartment business, expanding the company's portfolio of primarily value-add properties in the mid-tier segment that the company is

purchasing at well under 50% of replacement cost.

High, stable occupancies, and affordable rental rates

Also, CAPREIT has proven the company's ability to invest in these assets to increase the value, which results in stable cash flows, driven by continuing high, stable occupancies and affordable rental rates. On average, CAPREIT is renting the company's apartments at approximately $1.60 per square foot, much less than the $3.00 to $5.00 per square foot found in the rental condominium and new apartment construction markets.

Low capital requirements and maintenance needs

CAPREIT's second area of growth is the Canadian MHC business. Revenues are highly stable, and with residents owning homes, capital requirements and maintenance needs are significantly reduced. MHC properties also provide another level of diversification by increasing CAPREIT's presence in rural and smaller markets. CAPREIT appears to be investigating opportunities to further increase revenues in this business.

Generating significant and growing distribution and fee income

Furthermore, CAPREIT's third focus is on Europe, where the company is generating significant and growing dividend, distribution, and fee income from the company's investments. Dividends and distributions in 2020 totalled $32.9 million, while CAPREIT's property management fee income rose 5.2% to $22.1 million for the year.

Opportunities for further growth and enhanced value

As the only professionally managed operating platform in Europe, the opportunities for further growth and enhanced value are significant. However, CAPREIT plans to target the company's exposure to the European market at approximately 15%. Investors, however, can always gain more exposure by owning a stake in CAPREIT's European operating platform.

Overall, CAPREIT appears to be one of the best real estate stocks to own over the long term.

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