



## 3 REITs I'd Buy With \$10,000

### Description

What would you do with an extra \$10,000?

For many, such a windfall would be quickly wasted on new shoes, fancy electronics, or a beach vacation. But for those of us who have the discipline to save, \$10,000 is a big enough sum to start working towards long-term financial goals. That's doubly important if you haven't begun saving at all.

Real estate investment trusts, or REITs, are one of my favourite places to stash extra cash. Real estate properties like apartment buildings, office complexes, and shopping malls tend to be reliable investments. And because they are required by law to pay out all of their profits to unitholders, these firms tend to sport enormous yields. So with this theme in mind, here are three REITs I'd buy with \$10,000.

#### 1. RioCan Real Estate Investment Trust ([TSX: REI.UN](#))

RioCan is the country's largest property owner with over 79 million square feet of real estate throughout Canada and the United States. However, this firm isn't your traditional residential landlord. It specializes in commercial real estate, renting out its properties to tenants like **Loblaws**, **Winners**, and **Lowe's**. Needless to say, these business are rock-solid from a financial perspective and almost always pay on time.

This has translated into a predictable stream of rental income for investors. Since the trust's first distribution to shareholders in 1994, the fund has never missed a monthly payment to unitholders. Note, this period included three major recessions.

Today, RioCan pays a monthly distribution of 11.75¢ per unit. That comes out to an annual yield of 5.3%. But as the trust's older leases expire and the fund rolls over tenants into higher paying contracts, I'd expect that payout to grow significantly in the years ahead.

#### 2. Boardwalk REIT ([TSX: BEI.UN](#))

According to projections by the Canadian Association of Petroleum Producers, Alberta oil sands

production is expected to more than double by 2030. But while this trend has given energy companies a big boost, it has also had a huge impact on the Western Canadian economy. And as oil majors continue to add thousands of new employees, breakneck growth will fuel demand for housing and commercial real estate.

That's why I'm bullish on Alberta's top residential landlord, Boardwalk REIT. A bulging population bodes well for apartment rents and occupancy rates. And thanks to tougher mortgage lending rules, many first-time home buyers have been forced to delay buying new houses and are staying in rental accommodations longer.

Don't skip over this trust because of its meagre 3.0% yield. The fund has a great track record of rewarding unitholders, increasing its distribution 70% over the past decade. Given the tailwinds behind this firm, I'd expect that trend to continue.

### **3. Calloway Real Estate Investment Trust (TSX: CWT.UN)**

Calloway is Canada's second largest shopping mall owner. This trust might be the biggest 'no brainer' investment in the REIT sector today for two reasons.

First, I'd expect Calloway to deliver exceptional cash flow growth over the next few years. Growth drivers include interest cost savings from debt refinancing and huge returns from new shopping mall development. In fact, management is so confident on the company's prospects, it announced a 3.4% distribution hike earlier this month.

What's odd is that Calloway units are currently trading at one of the lower price-to-adjusted funds from operations multiples versus its retail peers. That discount is unwarranted given the company's highly visible growth profile.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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