



Investors: Consider a REIT Instead of a Mortgage

Description

Real estate prices in parts of the country are simply out of control. The government in B.C. tried to cool the white-hot market in Vancouver with a series of taxes and regulations on foreign buyers, and now Ontario is going down the same path.

With average home prices in Canada's two largest metro areas now seemingly out of reach of first-time home buyers, the dream of acquiring an investment property keeps getting further away.

Fortunately, there is something that investors looking for investment properties can do: invest in REITs.

REITS offer all the benefits that being a traditional landlord does — specifically, a monthly distribution — without needing to chase down tenants or pay for costly repairs.

Here are a few REITS for investors to consider adding to their portfolios.

Dream Office REIT ([TSX:D.UN](#)) is primarily focused on office locations in Canada's major metro areas. In fact, a large chunk of Dream's holdings is located in the super-expensive downtown core of Toronto, where rents are high and vacancies are low.

While this helps the case for investing in Dream, the real advantage of investing in the company comes in the form of a discount available to investors.

Last year the company was forced to cut the monthly distribution as vacancy rates in Alberta forced it to sell some assets. This resulted in a sell-off in the stock which ultimately pushed the stock below the net asset value (NAV) of Dream.

Dream has been working on a number of fronts to shore up funds through divesting assets that are non-core, paying down debt, and buying back shares. The result is a healthier, leaner company which still trades at a discount of a few dollars over the NAV.

Even better, as the economy in Alberta improves, so too will the values of properties the company has there.

Dream currently trades at \$19.50 and offers investors a monthly distribution of \$0.125 per share, which works out to an impressive 7.69% yield.

Killam Apartment REIT ([TSX:KMP.UN](#)) is a great pick for investors looking at a residential-focused REIT. Killam operates over 200 properties that are weighted more towards the Atlantic provinces. While these areas lack the huge growth of the past few years the major metro areas have been subject to, the areas where Killam operate have been subject to a steady level growth.

Killam has been steadily expanding its reach into other areas of the country. The company completed a \$26 million acquisition of 153 apartments in London and 66 units in Calgary earlier this year. Assets in Alberta are still available at a discount, and Killam expanding into the province could be seen as a potential long-term growth play, particularly if prices there continue to recover.

Killam currently trades at \$12.80 and offers investors a monthly distribution of \$0.05167 per share, resulting in a yield of 4.84%. While this is nothing spectacular within the realm of REIT distributions, it implies that further increases are likely due in the future.

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- 1. Investing

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- 1. Editor's Choice

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