



## My Top Pick for Best Defensive REIT

### Description

Real Estate Investment Trusts (REITs) are not created equal. While most REITs look for portfolio diversification and increased returns over and above the market return, the laws of finance hold true. It is simply not possible for a REIT, or any security, for that matter, to get an abnormal market return in a properly functioning financial market without taking on excess risk.

If we take the flipside of the equation and look at the REIT sector from the point of view of a defensive long-term investor to find higher levels of safety with a stock, we must often look at options that would provide lower returns on average.

**Killam Apartment REIT** ([TSX:KMP.UN](https://www.killamreit.com)) is a REIT that I believe provides the best mix of income and safety in a world filled with other securities that are over exposed to markets that may turn out to be riskier than initially thought.

While many other large Canadian REITs (or even regional ones, for that matter) focus on the large, urban centres of Canada (namely Toronto and Vancouver), new developments in the alternative lending space in Canada have indicated that the excess risk, which seemingly has not yet been fully priced into the stock valuations of Canadian REITs, may put downward pressure on those REITs that have high levels of exposure to real estate markets which may or may not be currently in a bubble.

As a cautious, defensive, long-term investor, I have found that, in many cases, it pays to go against the grain and challenge the mainstream way of thinking. Warren Buffett famously said, "...be fearful when others are greedy and greedy when others are fearful." When valuations get a little out of control, it may be time to trim positions and take some profit off the table to invest for the next cycle.

Killam REIT, in my opinion, is one of only a few great long-term plays in the real estate space due to the makeup of the company's asset portfolio and the long-term strategic view management has taken to return a significant amount of value to shareholders in a sustainable way.

In addition to having an existing high-quality portfolio of assets located largely in the Maritimes (away from the epicentre of any potential firestorms in the Canadian housing market), the company has a number of projects under construction or in the planning stages that are expected to contribute to

earnings growth in the years to come.

### Bottom line

Killam REIT is a great income play with a yield hovering around 5% and is also a great value play as a stock that is trading near book value. Managing a portfolio of high-quality assets in a slower, but perhaps steadier region of Canada, I believe Killam REIT will prove to be a great long-term buy and hold for any investor looking for exposure to Canadian real estate.

Stay Foolish, my friends.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)

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