Worried About the Canadian Economy? Invest in Other Countries With These 2 REITs

Description

Rising interest rates might create concern for investors because of the negative effects rate hikes are likely to have on the Canadian economy, such as higher borrowing costs and reduced profits for businesses. One way to minimize your exposure to this risk is to increase holdings in other regions of the world. The problem is, if you invest in foreign companies, you are exposing yourself to foreign currency risk and fluctuations, which creates added risk that you may want to do without.

There is an easy alternative: invest in stocks on the TSX that are traded in Canadian dollars but have operations or properties outside Canada. I will cover two such companies that manage properties in other countries.

Dream Global REIT (TSX:DRG.UN) owns and operates office and mixed-use space, totaling 151 properties with about 12.5 million in square footage. What sets this REIT apart from others is that its locations are in Germany, Austria, Belgium, and the company has recently acquired properties in the Netherlands as well.

You can diversify your portfolio by investing in other industries and sectors, but investing in another country altogether will add another layer of diversification.

In the past five quarters, the company's revenue has consistently been around $50 million while posting positive net income amounts as well. In the most recent quarter, Dream Global's occupancy rate was over 90%, which is improved from a year ago, when it had just 88% of its properties occupied.

Currently, the stock trades at around 19 times earnings and just slightly under its book value. In the past 12 months, the stock has appreciated over 18% in value, and I think there could be more upside to the price, especially as the REIT acquires more locations and becomes even more diversified.

American Hotel Income Properties REIT LP (TSX:HOT.UN) is a REIT that is a bit closer to home than Dream Global, with properties that are primarily in the United States. As the name suggests, this REIT invests in hotel properties rather than typical REITs that own and operate office, retail, and industrial locations. Investing in American Hotel will allow you to indirectly invest in the tourism industry in the U.S. as well.

In the last four quarters, the company has been profitable, but the most recent period saw a loss of $5.5 million, which resulted in the shares dropping by over 7%. The loss was due to impairment costs of over $7.3 million and business acquisitions costs totaling $4.5 million. Without these unusual expenses, the company's quarterly results would have yielded a profit.

The stock is currently trading around its 52-week low, and it could be a great opportunity to buy low. It offers an attractive dividend of almost 9%; however, it is likely due for a cut soon as the company has been unable to maintain a sustainable payout ratio.

American Hotel has only been public for four years, and the company has already cut its dividend twice, and at this point, a third cut seems inevitable. However, even with a reduction, the dividend will still likely yield over 5% and could be an attractive option in the short term.

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TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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