



Looking to Hedge Inflation and Interest Rate Exposure? Check Out These 2 REITs

Description

In a rising interest rate environment, the concept of investing in a real estate investment trust (REIT) as a hedge against inflation and rising interest rates may seem counter-intuitive. After all, REITs are largely viewed as bond proxies, negatively correlated with a rising interest rate environment.

I'll highlight two REITs that stand to benefit from rising interest rates.

Killam Apartment REIT

For some time, **Killam Apartment REIT** ([TSX:KMP.UN](https://www.killamreit.com/)) has been a top pick of mine for a number of reasons, among which is the company's portfolio of real estate in the apartment sector. Apartments are the way to go for investors seeking portfolio diversification by adding on some real estate exposure to a traditional equities portfolio but who do not want exposure to the potential housing bubble manifesting itself in metropolitan markets such as Vancouver and Toronto. Given Killam's heavy focus on the Canadian Maritimes, the growth profile investors receive is one which is much more stable over long periods of time.

Killam also builds many of its buildings from scratch and acquires new buildings quite frequently, consistently building the REIT's asset base in a bid to improve future cash flows and fund dividend increases year after year. With a current dividend yield of 4.4% and a growth and diversification profile unique among its peers, this REIT should not be overlooked.

Canadian Apartment Properties REIT

Another Canadian REIT representing an excellent portfolio of apartments, land-lease communities, and townhouse real estate assets is **Canadian Apartment Properties REIT** ([TSX:CAR.UN](https://www.capreit.com/)). Among the factors making this REIT's portfolio of properties attractive, the geographic distribution of where its apartment properties are located is one key consideration many investors have given Canadian Apartment REIT. With minimal exposure to the Alberta market (a fact which has propelled shares of this REIT higher in recent years amid a setback for other Alberta-heavy REITs), Canadian Apartment

REIT takes advantage of the superior demographics and growth profiles of Ontario and Quebec — regions which encompass nearly three-quarters of the REIT's property portfolio.

Canadian Apartment REIT focuses on renting out apartment properties in quality areas to households with higher than average incomes, making the REIT's real estate portfolio even more recession-proof than many of its peers that focus on the lower end of the market. With a dividend yield currently sitting at 3.5% and a penchant for dividend growth, this REIT provides a growth and yield profile that is rare among its peers.

Bottom line

Both Killam REIT and Canadian Apartment REIT offer investors access to solid monthly dividend income streams, providing regional diversification in a specific niche of the REIT sector (apartments), which remain far more recession-proof than other REITs operating in real estate markets with higher correlation to the macroeconomic environment, such as retail or commercial.

Stay Foolish, my friends.

CATEGORY

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TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:KMP.UN (Killam Apartment REIT)

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Date

2025/08/22

Date Created

2017/11/19

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