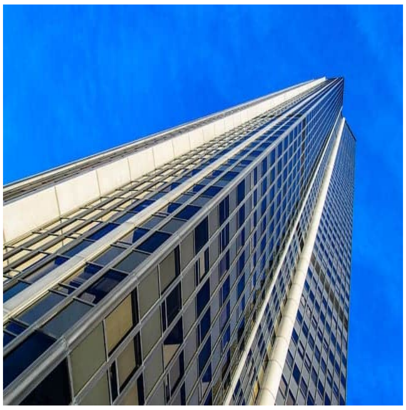

4 REITs to Buy as Commercial Real Estate Surges in Canada

Description

In December, LaSalle Investment Management, a subsidiary of professional services and investment management company **Jones Lang LaSalle Inc.**, announced it would launch an open-ended fund designed to capitalize on "mispriced" commercial real estate in major metropolitan areas in Canada.

A recent report from **CBRE Group Inc.**, a Los Angeles-based commercial real estate services and investment firm, projected that Canadian commercial-property investment would break last year's record. Vacancy rates for commercial assets in metropolitan areas like Vancouver and Toronto remain among the lowest in all of North America.

In late November, I'd discussed whether investors should target REITs or alternative lenders looking ahead to 2018. Let's take a snapshot at four REITs today as Canada experiences a commercial real estate boom.

Cominar REIT (TSX:CUF.UN)

Cominar is a closed-end REIT that owns and operates a real estate portfolio of over 500 office, retail, and industrial buildings. Its stock has declined 2.5% in 2017 as of close on December 28. In the third quarter, Cominar reported a reduction in its target debt ratio to 48% and announced a plan to sell $1.2 billion in assets outside its core Ottawa and Quebec markets.

The company announced a quarterly dividend of $0.09 per share, representing an impressive 7.9% dividend yield.

RioCan Real Estate Investment Trust (TSX:REI.UN)

RioCan is a Toronto-based REIT with a portfolio that includes shopping centres and mixed-use developments. The stock has fallen 7.3% in 2017. In October, I'd covered RioCan's announcement that it planned to sell off $2 billion worth of properties in secondary markets. The move illustrates the effort from major REITs to focus almost exclusively on major metropolitan markets due to the rise in demand.

The company released its third-quarter results on November 3. Operating income jumped 4.1% to $186 million and revenue increased 1.6% year over year. The stock also offered a dividend of $0.12 per share, representing a 5.7% dividend yield.

True North Commercial REIT (TSX:TNT.UN)

True North owns and seeks to acquire commercial real estate properties in Canada. The stock has climbed 9.3% in 2017. True North released its third-quarter results on November 9. Net operating income surged 42% to $8.8 million and revenue from property operations rose 39% to $14 million. In October, True North finalized the acquisitions of office properties in Richmond Hill, Ottawa, Cambridge, and Victoria, B.C. The company has seen year-to-date same-property income increase 2.4% year to date.

H&R Real Estate Investment Trust (TSX:HR.UN)

H&R is based in Toronto and owns, operates, and develops commercial and residential properties in Canada and the U.S. Its stock has declined 4.7% in 2017. In the third quarter, H&R announced its intention to adopt a number of changes, including expanding its board and recycling capital to improve returns in its property portfolio.

Funds from operations were $141 million compared to $136.9 million in the prior year. The stock offers a dividend of $0.12 per share with a 6.4% dividend yield.

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