



The Top REITs of 2018

Description

After the past year, in which investors got spooked due to the potential of higher interest rates, 2018 may just be the year that real estate investment trusts (REITs) see a return to their [previous glory](#). Since many investors have become far more comfortable with increasing interest rates, the current prices of many REITs may be the best opportunity in the financial markets today.

The first name on the list is none other than **Dream Office Real Estate Trst** ([TSX:D.UN](#)). At a current price of \$22.20, Dream offers investor significant upside potential in both dividend yield and capital appreciation. As of the end of the third quarter of 2017, the tangible book value per share was no less than \$22.50, which is expected to increase over the next 12 months, as the dividend yield is no more than 4.5% and is expected to be less than the cash flow from operations over the next year. As a reminder, the company has cut the dividend multiple time over the past few years in to sustain the dividend and the current share price. This may just be the year that this tactic pays off for investors.

The second name on the list is **Slate Office REIT** ([TSX:SOT.UN](#)), which, at a current share price of \$8.15, offers investors a dividend yield in excess of 9%. The challenge that investors will face with this name is what to do with their holdings if no action is taken by management. At current levels, the dividend-payout ratio is close to 100% of available cash, which has led to very little capital appreciation and a relatively high dividend yield. As investors are aware, a 9% dividend yield is high for a reason: it is not usually sustainable.

In this case, a dividend cut may be a good thing, as it would allow company management a little more capital to either conduct a share buyback or repay debt, which could allow for higher cash flow down the road.

The last name on the list is **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)), which has a relatively large presence in western Canada. As Alberta, the oil province, is emerging from a difficult time, this REIT, which offers investors a yield in excess of 7.5%, may be ready to move substantially higher in the coming year. At a price of \$14.15, the tangible book value per share is no less than \$17.17, which translates to upside in excess of 20%!

At a potential price of \$17 per share, the yield would be in excess of 6.25%, which would make it an attractive investment for momentum investors. For those early to the party (value investors), the good news is that the company has well-staggered debt obligations which will mature very gradually.

With the potential for numerous REITs to move higher, investors who have traditionally thought of this sector as a low-risk/low-reward alternative may [beat the averages](#) over the next year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:D.UN (Dream Office Real Estate Investment Trust)
3. TSX:RPR.UN (Ravelin Properties REIT)

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