Two REITs You Should Consider Buying

Description

Having exposure to real estate is a great way to boost your portfolio's returns. However, there are so many REITs available on the market, so how do you narrow it down? There are two that I believe are worth considering: **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Dream Global Real estate Investment Trust** (TSX:DRG.UN).

RioCan

It might seem odd that I'd recommend RioCan given that it's a retail operation and ecommerce is slowly destroying that sector. However, I believe that major, class A retail locations aren't going disappear in any case. Frankly, I think the market is overreacting.

But RioCan has been making smart moves to ensure that its portfolio is composed of only the best. The company is now in the process of selling 100 of its properties so it can focus on Toronto, Ottawa, Vancouver, Calgary, Edmonton, and Montreal.

What I like about these sales is that the company is going to sell a third of its properties, but will be losing less than 20% of its portfolio value. The company already has completed or entered firm agreements to sell $512 million of properties. When these sales are done, the company will have over 50% in the Greater Toronto Area.

Looking at quarterly results, funds from operations increased 6.7% to $585 million for the full year despite having sold its 49 U.S. properties back in 2016 for US$1.9 billion. It's therefore making more from fewer buildings.

With fear running high, investors can benefit from a lucrative 6.14% yield, which is good for $0.12 per month.

Dream Global

Although we know more about the rebuilding dream here in Canada, Dream Global is in a muchgreater position.

Historically, Dream Global was a German real estate company with exposure in Hamburg, Hanover, Berlin, Dusseldorf, Cologne, Nuremberg, Munich, Stuttgart, and Frankfurt. It also had properties in Vienna, Austria. However, the company recently initiated its plans to become Pan-European.

It bought 125 office and light industrial properties in the Netherlands. It also acquired a multi-tenant office complex, the Airport Plaza, for $143.2 million in Belgium. With these acquisitions included, the gross asset value is broken down with 74% in Germany, 20% in the Netherlands, 3% in Austria, and 3% in Belgium.

Its core portfolio consists of 118 properties with about 81% of the gross asset value. It has a growth value-add portfolio that consists of 41 properties with a GAV of 10%, which, with strategic investment, could deliver significant net operating income. It owns approximately 20 properties, or 3% GAV, in its redevelopment and repositioning value add, which have a lot of available land for additional buildings.

The final category is the unique one and similar to the strategy RioCan has deployed. These are ~100 properties accounting for 6% GAV that don't fit within Dream Global's long-term strategy. The plan is to potentially sell them and reallocate that capital into the first three categories.

The company's yield is a little lower than that of RioCan at 5.92%, but that's simply because it's not in the retail sector.

Both of these companies are great buys, and I think you'd be smart to pick up shares.

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

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Author
jaycodon