How Do the 5 Biggest REITs on the TSX Stack Up?

Description

Real estate investment trusts, or REITs, allow investors to hold a position in income-producing real estate while retaining a high degree of liquidity. Rather than owning and leasing property themselves, REIT investors can benefit from the passive income and capital appreciation of real estate without the headaches of being a landlord.

That being said, REITs have sold off lately due to concerns about rising interest rates. REITs are said to be rate-sensitive stocks because of their typically large debt burdens and their bond-like nature, as they provide yield.

Investors who want to maintain their exposure to real estate but feel anxious about the possibility of further downside due to rate sensitivity may want to shift their investments toward the stability of the blue chips of the real estate sector.

Only five REITs on the TSX have market capitalizations above $5 billion: **First Capital Realty Inc.** (TSX:FCR), **H&R Real Estate Investment Trust** (TSX:HR.UN), **Canadian Apartment Properties REIT** (TSX:CAR.UN), **Brookfield Property Partners L.P.** (TSX:BPY.UN)(NASDAQ:BPY), and **RioCan Real Estate Investment Trust** (TSX:REI.UN).

Let's examine the five biggest REITs on the TSX to see which one is the best buy today.

Value

Trading at a price-to-book ratio of just under 0.7, Brookfield is the least expensive of the group when measured purely against its balance sheet. Canadian Apartment Properties, First Capital, and H&R all trade close to a price to book ratio of 1.1, making them the most expensive in the group.

Conversely, on a price-to-earnings basis, Canadian Apartment Properties is the cheapest of the five REITs with a multiple of around seven. By the same metric, Brookfield has the highest multiple with a price-to-earnings ratio of about 14.5.

Dividends

Income investors will be drawn to H&R’s yield—the highest among its peers, sitting at roughly 6.75%. The weakest yield comes from Canadian Apartment Properties, which only offers about 3.25%.

The best pick for dividend growth is Brookfield, which has increased its dividend by nearly 19% since 2015. By contrast, the poorest dividend growth is that of First Capital, which has left its dividend unchanged in the aforementioned time frame.

Analysts’ price targets

Brookfield is the analyst favourite with a consensus price target of $32.50, representing more than 25% upside from its current price. Canadian Apartment Properties is the least loved of the group with a consensus price target of only $41.08, which translates to only about 1% of upside potential.

Conclusion

Each of the five biggest REITs on the TSX has their unique appeal, but Brookfield is the REIT that blends a great deal of the various qualities that investors look for when they evaluate stocks. Brookfield offers a compelling valuation, great upside potential, and the second-best yield of the group at around 6.25%. Despite the ongoing headwinds that rate-sensitive stocks are facing, Brookfield remains a strong choice in real estate.

CATEGORY

1. Investing

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1. Editor's Choice

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2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:FCR.UN (First Capital Real Estate Investment Trust)
4. TSX:HR.UN (H&R Real Estate Investment Trust)
5. TSX:REI.UN (RioCan Real Estate Investment Trust)

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