



Why REITs Are Looking So Good!

Description

Over the past two years, the Bank of Canada has made it very clear that interest rates would be heading higher, as the economy continued to exit the dark days brought on by the Great Recession of 2008/2009. In spite of this being very bad news for homeowners with variable rate mortgages, the other side of the coin remains clear: it's about time! For investors, the method of approaching opportunities has not changed: all options must be considered and weighed against one another (on a comparison basis).

The previous interest rate of less than 1% (and falling short of inflation) — was not very attractive to long-term investors seeking capital appreciation, nor retirees seeking income.

A measly 1% just wasn't good enough!

Fast forward to the present day, interest rates are starting to creep higher, offering investors more than 2% on a risk-free basis, which will at least keep pace with long-term inflation. This risk-free alternative is starting to look pretty good in comparison to many value stocks that have been bid so high that a 4% yield has become less than a 3% yield. At these higher prices, many shares are in danger of falling substantially, as the cost of borrowing will trim the bottom line. Following this, dividend payments may be "at risk" and substantially less attractive, as government yields have increased.

As many REITs have declined in value as a result of higher interest rates and the expectation of more increases, investors who are prepared to remain patient and obtain above-average dividend yields may be in for a pleasant surprise.

At a price of \$7.70, shares of **Slate Office REIT** (TSX:SOT.UN) currently offer a yield of 9.7%, which represents close to 100% of available free cash flow. Slate offers a share buyback, which is currently being undertaken by company management to reduce the number of shares receiving dividends. To make this REIT even more interesting, it should be noted that the company is trading at a price that is less than the amount of tangible book value on the balance sheet. For every dollar deployed into [the company](#), investors receive more than \$1 in value. It's hard to go wrong by accepting this kind of offer.

If this name does not tickle your fancy, shares of **Dream Industrial Real Estate Invest Trst** ([TSX:DIR.UN](#)) offer a yield of 6.6%, as the entire industrial space has performed extremely well over the past several years. It would seem that with an increase in new marijuana grower and online companies alike, [industrial space is in high demand](#) and continues to flourish.

Although many investors have already bought into this name, the high yield offered by it will continue to attract many investors for a long period of time yet.

Before the train leaves the station, investors may be wise to buy into the at least one of these names, as the value has never been so clear!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:RPR.UN (Ravelin Properties REIT)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/14

Date Created

2018/07/24

Author

ryangoldsman

default watermark