

## Despite Rising Interest Rates, RioCan REIT (TSX:REI.UN) Stock Is Likely to Outperform Long Term

### Description

In a rising interest rate environment, investors are rightfully choosing to steer clear of companies operating in industries such as utilities, energy, and real estate that are negatively correlated to interest rates. As interest rates rise, the attractiveness of capital-intensive businesses with levered balance sheets and above-average yields is diminished, as investors instead choose companies with better growth prospects and lower debt levels.

That said, picking and choosing the best of a beaten-up basket of real estate investment trust (REIT) stocks seems like a good idea – buying anything at a discount is a good idea – so let's start with **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)).

RioCan is a Canada-focused REIT with nearly 300 properties owned in Canada, making this trust the largest commercial property player in the Canadian REIT space. The firm's area of focus remains Ontario; however, RioCan has achieved significant diversification across Canada, focusing on the handful of large metropolitan cities in the country for growth. To date, this strategy has proved to be one which has outperformed, and with the continued urbanization of Canada and immigration growth seen primarily in the country's large cities, RioCan is perhaps one of the best-position REITs in Canada from a demographics perspective at this point.

The company's asset base consists of a variety of properties, with the firm increasingly placing a focus on mixed-use buildings, allowing for a diversification of revenue streams and more stable returns over time. The tenant base, which inhabits the majority of RioCan's properties, consists of national and investment-grade tenants, reducing the overall risk profile of this REIT relative to its peers.

One of the reasons that RioCan has appeared on my radar of late is due to the company's announced high-grading strategy, in which the firm intends on selling \$2 billion of assets the firm considers to be non-core (such as shopping malls, and other low-quality assets) in exchange for commercial/residential investment in the country's top five or six largest metropolitan markets. Doubling down on the REIT's existing strategy of concentrating the firm's assets in top Canadian markets is one that is likely to provide greater long-term stability and growth potential than peers that focus on over-diversification in a real estate market that remains depressed in many parts of Canada.

### Bottom line

In today's market, in which interest rates are on the rise and investors are generally avoiding sectors such as REITs, looking for value can be an excellent means of creating long-term wealth for investors willing to accept greater short-term risk. With a potential bear market on the horizon, I see RioCan as an excellent option for long-term conservative investors looking to buy an excellent company at a fair price.

Stay Foolish, my friends.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

## PARTNER-FEEDS

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

## Category

1. Dividend Stocks
2. Investing

## Date

2025/08/18

## Date Created

2018/09/07

## Author

chrismacdonald

default watermark

default watermark