Are These the Only 3 Diversified REITs You Need to Know About?

Description

Diversified REITs are probably the best way to go if you're new to these kinds of investment trust stocks or if you've already got enough real estate in your portfolio. While it's possible to zero in on specific areas, such as retail, residential, office, healthcare, and other types of REITs, holding one or two stocks that spread the risk – and the reward – can be a less risky (though less focused) real estate play.

Here are three of the top Canadian real estate investment trust stocks that offer investors a ready-diversified route to low-exposure dividends from property assets.

H&R Real Estate Investment Trust (TSX:HR.UN)

One of the biggest fully-internalized REITs, H&R REIT holds assets totalling around $14 billion. If you like good value, this trust has you covered: the company is discounted by 36% compared to its expected cash flow value, with a P/E of 10.1 times earnings and P/B of 0.8 times book confirming undervaluation.

A 81% expected reduction in earnings over the next one to three years is a worrying thing to see in an REIT, though, and a low return on equity of 8% last year doesn't help with the quality of this stock. While a dividend yield of 6.84% may look appetizing, a debt level of 91.6% of net worth should make the risk-averse investor pause for thought.

Canadian Real Estate Investment Trust (TSX:REF.UN)

Building a portfolio of high-quality real estate is CREIT's operational ethic, with the main objective of enriching unitholders with the boons of real estate ownership. Trading at a discount of 23% off its expected cash flow value, CREIT is looking much like other REITs at present. A P/E of 15.4 times earnings is a little higher than most, as is a P/B of 1.1 times book, but neither is that bad in terms of valuation.

A 2.5 % expected contraction in earnings over the next 1-3 years beats the previous REIT, though obviously isn't ideal. Neither is a return on equity of just 7% last year, signifying an investment that could be better quality. A dividend yield of 3.64% trails the competition.

Dream Global Real Estate Investment Trust (TSX:DRG.UN)

If you're looking exclusively for commercial real estate outside Canada, Dream Global REIT could be the real estate investment trust for you. As with most REITs at the moment, this one is on sale: a discount of 30% compared to its future cash flow value is on offer. Market ratios look good for this REIT, with a P/E of 5.6 times earnings and P/B of 1.1 times book.

However, that P/E looks a little low, and a 21.3% expected annual growth in earnings over the next 1-3 years may be part of the reason. A return on equity 20% last year does signify a good quality REIT, though, as does a dividend yield of 5.52%. That said, note a debt level of 83.6% of net worth.

The bottom line

Still want to buy REITs? You should if you want to invest in real estate without buying actual property and if you like sizeable dividends to reward your investment. Diversified REITs will help to spread the risk and avoid overexposure to any one area of the real estate industry. While other diversified REITs are out there, each offering their own advantages, the three listed above will help real estate investors add easy diversification to their portfolios.

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1. TSX:HR.UN (H&R Real Estate Investment Trust)

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