



## Yes, Investing in REITs Could Make You Rich!

### Description

REITs are often unfairly dismissed by young investors because they're just not as 'growthy' as stocks. With the requirement to pay out 90% of net income to shareholders in the form of a distribution, it's not a mystery as to why most REITs have little to nothing to offer in terms of capital gains relative to stocks.

While the stabler, higher yields are a nice to have, the [low volatility](#) moves exhibited by the REITs leave a lot to be desired on the capital gains front, especially for those seeking quick gains over a time horizon shorter than three years.

Although it's easy to take a rain check on the REITs as a younger investor seeing as they're hardly sexy plays, it's often a mistake to dismiss the entire asset class just because they're a hot topic among grandparents. As a younger investor, you don't need the upfront income immediately, so why bother with REITs in general, especially with many pundits in agreement that Canada's housing market is fickle?

A few years ago, Kevin O'Leary referred to the REITs as "poo poo" investments mainly because of the set of issues that Canada's housing market is facing. Before you take O'Leary's investment advice by shunning the REITs entirely though, take a moment to re-evaluate your portfolio and consider how adding a REIT could spruce things up.

Sure, most REITs have little to nothing to offer other than their distributions, which will remain static for many years, but like most asset classes, there are outperformers and outliers that could make you a considerable amount of wealth over the long term.

Some winners keep on winning in spite of the lower-growth environment. And of course, some losers that'll continue losing. So, with that in mind, it makes sense to look to the individual REITs themselves to differentiate the winners from the losers.

Moreover, the addition of REITs into a portfolio can lower your portfolio's correlation to the broader market. The year 2018 was a roller coaster ride, and with triple-digit market moves as the new norm, it may make sense to add some shocks to your portfolio if you're not a fan of the huge market swings.

So, now that you're more open to looking into the REIT space consider [SmartCentres REIT \(TSX:SRU.UN\)](#), a 5.2% yielder that's been quietly picking up momentum in 2019. The owner and operator of popular strip malls had sold-off violently on the "death of the shopping mall" fears. With little to no evidence that suggested an imminent decline to SmartCentre's occupancy rate was coming, however, shares of SmartCentres got slapped with a fat discount relative to the broader basket.

Call it the shopping mall discount. Everybody hated shopping malls. And although SmartCentres looks like a play that'll eventually implode on itself, most investors have overlooked the fact that the company is actually more of a mixed-use real estate play.

With ambitious residential-commercial projects that are essentially "master-planned communities," it's clear that SmartCentres is headed in a direction that'll not only not warrant a shopping mall discount, but it'll justify a premium for the added value that there is to be had from the effective combination of residential and commercial properties.

SmartCentre's management team is top-notch. Although you'd think the REIT simply leases space to anybody willing to pay up, you may be surprised to find out how much effort that goes into finding the optimal traffic flow at SmartCentre's facilities. The optimal flow of traffic provides SmartCentre's tenants with added value and allows the REIT to command more attractive prices for its real estate.

## Foolish takeaway

It's not just about location; it's about traffic. And as SmartCentres makes a splash into massive mixed-use properties, I'm very bullish on the REIT, especially at today's depressed valuations.

Shares may have been on an incredible run, but they're still cheap and worthy of picking up today. If you're a young investor, stash the REIT in your TFSA, reinvest the distributions, and watch your nest egg grow like crazy!

Stay hungry. Stay Foolish.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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