3 Top Real Estate Stocks to Buy When Rates Are Falling

Description

Just like bonds and stocks, real estate assets are closely tied with the direction of the interest rates. When the rates go up, they reduce the rental yield on properties, reducing the appeal of owning a real estate asset.

But if you're a long-term investor, investing in real estate is a good way to create wealth. The timing of taking exposure to this asset class is becoming favourable again on signs that the Bank of Canada is not in a position to raise interest rates any time soon.

"Businesses are spooked by global trade uncertainty. Low oil prices and transportation constraints have hobbled the crucial energy sector. Record debt levels are a dead weight on consumer spending. Policy makers don't even know for sure how past rate increases — five since mid-2017 — are affecting households," according to a *Bloomberg* report.

There are many advantages of owning a real estate asset in your portfolio. Because real estate has a low correlation to other financial assets, such as stocks and bonds, by adding this asset to your existing portfolio, you can diversify your risks. In a low interest rate environment, for example, property values improve and outperform other assets.

Buying top-quality REIT

Buying top real estate investment trusts (REITs) is one way to include real estate in your portfolio. To invest in REITs, you don't need millions of dollars; you can start with as little as $5,000.

There are many advantages of investing in REITs. One of the biggest is that REITs are run by professional managers who know how to manage real estate assets and get the best returns. The second benefit is that Canada's tax laws favour REITs, which must distribute at least 90% of their taxable income as dividends to shareholders.

3 top REIT stocks to buy

High-yielding but low-risk real estate stocks, such as **Artis** (TSX:AX.UN), **Allied Properties** (TSX:AP.UN), and **RioCan** (TSX:REI.UN) could provide you steady passive income without getting into the hassle of managing properties.

Artis is one of the largest diversified commercial REITs, managing industrial, retail, and office properties in Canada and the U.S. Trading at $11.78 a unit, this REIT yields 5.18%. It pays a $0.045-a-share monthly distribution.

One top advantage of owning Artis stock in your portfolio is that this REIT generates more than 30% of its net operating income (NOI) from its U.S.-based rental properties. And this means more cash flows for the company when the Canadian currency is trading at a discount.

Allied Properties focuses on office space in Canada's biggest cities. It transforms light industrial structures into modern office facilities, featuring high ceilings, natural light, brick, and hardwood floors. Office spaces in Toronto and Montreal account for more than half of its portfolio.

Trading at $49.01, its annual yield currently stands at 3.36% with monthly payout of $0.133 a share.

RioCan is Canada's one of the largest REITs, managing large retail properties across Canada with some of the top retail names as its clients. RioCan is in the midst of transformation, focusing on Canada's largest retail markets and exiting some small cities where returns are low.

Trading at $26.36, RioCan pays a $0.12-a-share payout, translating into an annual yield of 5.59%

Bottom line

When interest rates are likely to fall, investing in REITs become attractive. You should buy REITs if you want to diversify your portfolio and earn passive income.

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2. Investing
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TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:AX.UN (Artis Real Estate Investment Trust)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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