



3 Reasons Why I'm Considering Buying REITS Right Now

Description

Investing in REITs could prove to be a shrewd move at the present time. Not only could they deliver an income return that is more attractive than other mainstream assets, they may provide a degree of diversity during an uncertain period for the world economy.

Furthermore, with property price growth having come under pressure in a number of regions across the global economy, REITs may offer better value for money than they have done in the past.

Therefore, their risk/reward ratios could be highly attractive at the present time. This could make them a worthwhile purchase for the long term.

Value for money

While property prices are generally significantly higher than they were a decade ago, in recent quarters they have shown signs of a slowdown in many economies across the world. This trend may continue in the near term, with sentiment towards the property market potentially coming under pressure as fears surrounding a global trade war increase.

This could mean that a number of REITs now offer good value for money. Investors may be pricing in the potential for falls in the value of properties, which could mean that REITs trade on low price-to-book (P/B) ratios in some cases. Over the long run, this may enhance their capital growth potential and lead to higher returns for their investors.

Income potential

Allied to their lower valuations is higher income return potential. In other words, lower prices for REITs may mean that their dividend yields are higher than they have been in previous years.

At a time when interest rates could remain at historically low levels due to risks surrounding the prospects for the world economy, REITs may offer higher income returns than other mainstream

assets. Bonds and cash, for example, may continue to lag many REITs in terms of their income prospects, since central banks could maintain loose monetary policies in order to counter the threat of the ongoing trade dispute between the US and China.

Diversity

For investors who are seeking to diversify their portfolios due to the risks facing the world economy, REITs could hold significant appeal. They provide exposure to the property sector which, while not the same as directly holding property, provides a comparable experience in terms of being dependent on the future direction of property prices.

Furthermore, REITs themselves are usually well-diversified. They may own properties in different regions, for example, or could hold property that has a variety of different uses. This may de-risk their returns, and could provide a smoother returns profile for their investors.

Outlook

Although REITs may experience a period of uncertainty alongside the [wider stock market](#), now could be a good time to buy them for the long term. They offer high income returns on a relative basis, may be cheaper than they have been in the past, and could help to diversify your portfolio in order to provide a more favourable risk/reward ratio.

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/25

Date Created

2019/08/19

Author

peterstephens

default watermark