



3 Sexy REITs You'll Want to Own for the Next 20 Years

Description

We're currently in the middle of a worldwide real estate boom, and it's easy to see why investors are so excited about the sector.

Low interest rates are giving real estate investors the ability to lock in consistent profits. A strong global economy is pushing vacancy further down, and new industries like marijuana and online retailing have created demand for real estate seemingly out of thin air.

Things are really booming here in Canada. Institutional investors flush with cash are buying up prime real estate across the country, and those investors looking for yield are pushing into REITs.

As well, thousands of individual investors are bidding up condos in markets like Toronto and Montreal, convinced the [party will never end](#).

I can easily see this trend continuing for years. Even if the Canadian market falls, it should be quickly supported by investors who are attracted to Canada's stable government, population density in our largest cities, and interest rates that will only get lower if the economy stumbles.

It's a great time to take long-term positions in some of our country's best REITs. Here are three names you'll want to buy today and not sell for a very long time.

Automotive Properties REIT

The first stock on the list is **Automotive Properties REIT** ([TSX:APR.UN](#)), a specialty real estate company that buys car dealerships and then rents them back to operating companies. The company is rapidly consolidating the space, which means that it's posted some stellar growth rates.

When Automotive Properties debuted on the stock market back in 2015, it had 26 properties and 100% of its income came from Dilawri Group, Canada's largest owner of auto dealerships.

These days the company has 60 properties and just over 60% of its income comes from its largest

tenant. That's impressive growth.

I predict that the growth will continue. The dealership industry is incredibly fragmented, with a few companies trying to expand in a hurry. These companies can expand a lot faster if they don't need to buy the underlying real estate when purchasing a dealership. That's where Automotive Properties comes in.

In the meantime, investors can collect a generous 7.5% yield, a payout that's easily covered by the company's cash flow.

RioCan

You might think I'm not showing much imagination by choosing **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)), considering that it's Canada's largest REIT. But the company is in the middle of a new development program that has massive potential, something many investors don't realize.

RioCan is focusing on the Toronto market, as well as a handful of developments in other places like Ottawa and Calgary. Major Toronto projects include The Well — which will include 1.1 million square feet of office space, 500,000 square feet of retail space, and nearly 2,000 condos — as well as mixed-use facilities on King Street West and on the corner of Yonge and Eglinton.

In total, these new developments should be enough to add approximately 50% to RioCan's annual profits, but much of the development portfolio won't start hitting the bottom line until 2021 or 2022. In the meantime, investors are treated to a 5.5% yield.

Summit REIT

Summit Industrial Income REIT ([TSX:SMU.UN](#)) is perhaps Canada's best growth story in the industrial real estate space. The company just keeps on expanding.

Acquisitions thus far in 2019 include properties in Montreal, Mississauga, and near the Calgary airport. The year 2019 has been a relatively light year from an acquisition perspective; in 2017-18, the company spent \$1 billion on property purchases.

Summit also internalized its property management — a move that will increase net operating income by approximately \$3.5 million per year.

Summit features an occupancy rate of close to 100% with a strong portfolio of tenants. It recently posted quarterly earnings that included same-property results that were up nearly 5% versus the same quarter last year.

The company has achieved this while keeping its balance sheet in good shape, thus preparing it well for its next big acquisition.

Summit only yields 4.4% today, but the company is poised to continue growing its dividend.

CATEGORY

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TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:SMU.UN (Summit Industrial Income REIT)

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Date

2025/08/21

Date Created

2019/09/19

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