1 Top REIT Yielding 4% to Buy Before the End of October

### Description

Real estate investment trusts (REITs) are growing in popularity because of their low volatility compared to many other types of stocks and juicy yields. A combination of near historically low interest rates and fears of a looming recession have sparked even greater interest in REITs. One REIT that stands out for all the right reasons is **Artis Real Estate Investment Trust** (TSX:AX.UN).



## Quality diversified portfolio

Artis owns a commercial real estate portfolio comprised of 229 properties located in Canada and the U.S., diversified across office, retail, and industrial assets. For the second quarter 2019, 52% of net operating income (NOI) was generated by Artis's office properties, 28% from industrial real estate, and the remaining 20% was earned from its retail assets.

The REIT has embarked on a strategy aimed at unlocking value for unitholders, which is focused on the sale of non-core mature assets, reducing its exposure to retail real estate, boosting its U.S. presence, improving existing properties, and reducing debt. Artis also plans to re-position its portfolio to generate 60% of its NOI from the U.S. and the remaining 40% in Canada by 2021. This sees Artis targeting the sale of up to $1 billion of non-core assets and reducing debt to gross book value to around 46%.

It also anticipates that the proportion of its NOI earned from industrial properties will increase to 40%, while for office and retail real estate, it will fall to 45% and 15%, respectively. This will be an extremely positive move because office properties are some of the most vulnerable to economic slumps, and a recession would certainly see companies move to cut costs, including leasing expenses.

That strategy will also minimize Artis's exposure to the retail apocalypse and ongoing transformation of the retail sector, which sees brick-and-mortar retailers under extreme pressure from the rapid rise of e-commerce and online retail. This has already sharply impacted many shopping mall operators and retail REITs. Those fundamental changes have also made industrial real estate more lucrative because it had sparked greater demand for properties that can be used as logistics centres by online retailers. When that growing demand is coupled with a lack of investment in industrial real estate in recent years, it has triggered a marked increase in rents, which will boost revenue for those REITs that own industrial properties.

For these reasons, Artis's earnings and profitability will continue to grow, which will ultimately boost its market value.

Artis has also commenced a unit buyback where it has budgeted $270 million to acquire 23.5 million of its listed units over the remainder of 2019 and in 2020. This demonstrates management's confidence in the REIT, and it is an opportune time for a buyback, because Artis is trading at a discount to its net asset value (NAV).

The REIT has a NAV of $15.37 per unit, which is around 25% higher than its current market price. This deep discount exists even after Artis gained 26% since the start of 2019, highlighting why now is the time to buy the REIT. In fact, it is rare to find a quality REIT that is trading at such a significant discount to its NAV, further emphasizing why now is the time to acquire Artis.

## Foolish takeaway

Artis's low volatility, as illustrated by its beta of 0.59, coupled with its sustainable distribution yielding a juicy 4% and the fact that it is trading at a discount to its NAV, makes now the time to buy — especially because management is engaged in a plan aimed at reducing costs, strengthening the REIT's balance sheet, and unlocking value from its diverse property portfolio.



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**TICKERS GLOBAL**

1. TSX:AX.UN (Artis Real Estate Investment Trust)

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