Are These 2 REITs a Great Way to Ride Out a Recession?

Description

It seems that recessions are on the back burner once again, with the possibility of trade reconciliation becoming more of a reality all the time. The markets are certainly optimistic, with the American markets once again achieving an all-time-high close frequently over the past week. Are we finally safe?

As much as I would like it to be so, I fear that the long-term outlook may not be as bright as everyone hopes. It is, after all, in my opinion, not trade issues that threaten the overall stability of global markets. It is the massive amounts of public and private debt that represent the true threat to economic peace. Trade may yet turn out to be a match, but it is the massive amount of debt that will be the powder keg.

This brings me to the current topic. Are REITs a safe, defensive way to ride out a potentially tumultuous time for global markets? In order to address the potential problems, I will examine a couple of potentially defensive REIT investments that offer attractive yields and could be an excellent place to hide in an economic storm.

The first REIT, **Dream Industrial Real Estate Investment Trust** (TSX:DIR.UN), gives investors a yield that is highly attractive as an income play. The 5.2% yield is more than 3% higher than you can get from a GIC these days, which is a pretty compelling selling point in its own right.

The REIT also is far more diversified now as compared to its portfolio composition a couple of years ago. Currently, the REIT has 25% of its portfolio in the United States as compared to none in 2017. The REIT has also reduced its exposure to the Ontario market from 37% to 27% as of the second quarter of 2019, which is a major positive in my books.

The biggest downside to the REIT, I believe, comes from the fact that the stock has had such an impressive run in 2019. This could mean that it is susceptible to a pullback if interest rates begin to march upwards or if there is even a hint of positive economic data.

Another REIT, **Choice Properties Real Estate Investment Trust** (TSX:CHP.UN) is another contender as an income-producing powerhouse. The REIT pays a distribution yield of about 5.5%. While it has not raised its distribution since 2017, it has not cut it either. The yield should be quite safe, especially when you consider its portfolio constituents.

Choice Properties has some very stable tenants, primarily consisting of grocery stores like Superstore, Provigo, and Extra Foods. These companies are likely to continue to be excellent, reliable renters no matter the economic cycle, as fellow Fool contributor Christopher Liew has recently pointed out since their products are primarily consumer staples. That makes Choice particularly stable as an income generator.

Are these REITs defensive ports in an economic storm?

Both of these are respectable income generators with their high yields and should be fairly safe in an economic downturn. Both have their recession-resistant qualities, with Choice getting most of its income from the stable grocery business, and Dream having diversified away from the Canadian market.

For defensive income-seeking individuals who want to own real estate, these companies could be good additions to ride out an economic storm. But you have to be comfortable with the inflated global real estate market in order to buy. Finally, increasing interest rates will most likely dent share prices if it were to occur.

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