



3 Top REIT Stocks to Buy for 2020

Description

In order for investors to have adequate diversification, it's crucial for your portfolio to have exposure to real estate. Real estate is a major staple in the economy — one of the most important in our modern-day economy.

For investors, the real estate industry can be one of the most prosperous due to the income the funds can generate and the growth potential they have, which we are seeing in great deals especially in the residential sector at the moment.

To find a high-quality real estate investment trust (REIT), investors must look to the company's assets, cash flow it expects to earn, debt levels that are sustainable and a price for the units that is trading at a level that reflects some value.

The three best REITs to buy today for 2020 are **Choice Properties REIT** ([TSX:CHP.UN](#)), **Northview Apartment REIT** (TSX:NVU.UN) and **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)).

Northview Apartments

Northview is the only residential REIT on the list, as a lot of residential REITs have been widely bid up by the market. Residential real estate is one of the most defensive industries in which to invest, so it's not surprising that these REITs have seen major price appreciation.

Northview, however, still has some value in its shares despite being one of the best residential REITs in the country.

The trust owns a diversified portfolio of more than 27,000 units across eight provinces and two territories.

One of the chief reasons why Northview is the one residential REIT to consider is due to its dividend yield, which is considerably more than a number of its peers, especially those with similar well-run operations.

Its dividend yields more than 5.5% today with a payout ratio of just 80% of its funds from operations.

What's immediately noticeable for investors looking for a residential REIT is that most will have relatively smaller yields, and most are focusing on the growth of their business and increasing the value of their REIT units.

This leaves investors looking for a higher yield to look elsewhere, such as the retail REIT sector.

Choice Properties

Choice properties operates in the retail REIT segment of the real estate market, and is the top retail REIT in Canada.

Many retail REITs haven't had the performance of residential REITs, because for one thing, residential REITs are generally speaking better to own ahead of a recession (as long as you don't overpay for them).

The second reason is that investors have been concerned with the vulnerability of retail REITs, especially those with a large portion of their portfolio in malls.

With Choice properties however, investors don't have to worry about the stability of its tenants. The company leases to business that are staples in our economy such as banks and grocery stores. In fact, **Loblaws** accounts for more than 55% of the company's rental income.

Today it has an extremely strong occupancy rate of 97.8%, reflecting its high-quality portfolio.

Its dividend yields 5.33% and the stability it provides investors makes it the [perfect income stock](#) to own in 2020.

NorthWest Healthcare

Healthcare REITs can be a great compromise for investors looking for as much defence as possible while still earning a higher yield.

I mentioned earlier that residential REITs are some of the top defensive REITs but it's hard to find a decent yield, with Northview being one of the only yields above 5% in the segment of the industry.

The healthcare REIT offers almost as much defense and with NorthWest specifically, investors can earn a 6.75% yield.

It owns a portfolio of hospitals, medical office buildings and other properties in Australia, New Zealand, Europe, Canada and Brazil.

It's a high-quality REIT with more than 97% occupancy rate and more than 14 years weighted average lease expiry rate, giving it a highly sustainable portfolio.

On an annualized basis, the company earns roughly \$0.88 per unit of adjusted funds from operations, giving it a payout ratio of 87% on its high-yielding dividend.

Bottom line

Adding a REIT to your portfolio is never a bad idea and these are three of the top REITs investors can consider for 2020. Each of these REITs has its own advantages and all are trading for less than fair value.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date

2025/07/02

Date Created

2020/01/07

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