Stay Afloat In a Housing Market Crash With 2 REITs

Description

The housing market bubble in the country is still blowing up. It was one of the reasons for many alarms that were raised in 2019 for an upcoming recession. Still, a significant portion of experts believe that we might experience a market crash, or at least a market correction in 2020 or early 2021.

As an investor, should you be wary of the real estate market this year? While there is no clear answer to this question, what I can tell you is that if you are adamant about putting your money in the real estate industry, **True North Commercial REIT** (TSX:TNT.UN) and **SmartCentres REIT** (TSX:SRU.UN) should be on your radar.

REITs have a proud history of paying out high dividends to their investors. But not many REITs tend to offer stability and sustainable payout ratios. This is also an avenue where SmartCentres and True North shine.

Acquisition oriented REIT

Ontario-based True North Commercial REIT has the largest portfolio of properties in its native region. Out of 50 commercial properties the company owns, 31 are based in Ontario.

Its focus on commercial properties and management's strategy of aggressive acquisition has been very profitable, especially in the past year. The market value of the company has increased by almost 20% from the same time last year.

Currently, the company is trading at $7.67 per share at writing. It also looks relatively stable, according to the beta of 0.78. But the best part about True North Commercial REIT is its dividend yield.

Currently, the company is offering a juicy yield of 7.8%. The payout ratio is stable at 89%, and the company hasn't changed the $0.59 per share dividends in the past five years.

The median property value in the country is over $480,000, and the median rent is about $1,780. You can get quite near the monthly income by investing half of that amount in this REIT, and without the hassle that accompanies being a landlord.

A smart REIT

Investing in one of the real estate Dividend Aristocrats, SmartCentres is usually a smart move. The company has been very stable in the past three years, with market value rotating very close to $30 per share. Currently, the company is trading at $31.5 per share at writing. It's even less volatile the True North REIT, with a beta of just 0.43.

The company is offering a yield of 5.84%, at a relatively steady payout ratio of about 96% (for a REIT). In the past five years, the company has increased its yearly dividend payouts from $1.61 per share to $1.85 per share, which means that you will likely be receiving bigger cheques with your investment in SmartCentres in the future.

Foolish takeaway

Whether a housing market crash is imminent or whether the market might simply experience a correction, one thing is certain: housing prices have gotten too high for many to-be real estate investors.

As always, the next best thing is REITs, but it's still prudent to stay clear from anything that might come under fire if the housing market crashes, hence the two commercial REITs.

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Date
2025/08/26
Date Created

2020/02/15
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