Canada Housing Market Crash: 1 TSX REIT Stock to Buy That Yields Almost 8%

Description

In theory, REIT stocks are a great addition to your investment portfolio. These stocks involve steady and high dividend income. Also, they offer long-term capital appreciation. Their lower correlation with other assets also allows you to use them to reduce your overall portfolio risk.

A REIT stock continues to be in line with the description mentioned above, as long as the housing market it is based on is not on the verge of implosion.

While it's difficult to pinpoint the exact time and date, experts are quite sure that the Canadian real estate market is all poised for a considerable correction.

Due to the gloomy future of the housing market in the country, many experts have started calling REIT stock investment a money sinkhole. However, such sweeping statements don't illustrate the complete picture of the REIT landscape.

We can't assess every REIT stock with the same yardstick. There are a couple of stocks that I think might be able to hold grounds despite the housing market crash.

Inovalis REIT (TSX:INO.UN) is one REIT stock that can continue to offer high dividend income even if the housing market crashes today.

What makes this REIT stock stands out among the rest? Let's find out.

It is far from the epicentre

Inovalis REIT has most of its business coming from Europe. The majority of its projects are running in the high-end localities of Germany and France.

Therefore, even if the Canadian housing market crumbles in the near future, its business will remain safe from the subsequent shock waves. In short, the dropping house prices and rentals in Canada won’t affect Inovalis the way they are going to take a hit on other REIT stocks.

Well-oiled real estate machinery

Inovalis doesn’t just own real estate in Europe but also runs it quite efficiently. The 14 properties it owns in France and Germany have an occupancy rate well over 90%.

Such a tremendous occupancy rate allows Inovalis to maintain steady cash flow. Having a stable cash inflow stream when the rest of the market is going through testing times can help the company to maintain its **TSX** standings and dividend payouts.

A staggering dividend payout

As of now, the dividend yield of Inovalis stands at 7.58%. This yield sometimes even goes north of 8% due to fleeting share price fluctuations. The company hasn’t changed its dividend payouts in the last five years.

Inovalis has maintained this extraordinary dividend yield and streak by setting its payout ratio around 90% of the earnings. Thus, even if Inovalis experiences a headwind due to the local real estate market collapse, there is a lot of margin for the dividend to drop.

In other words, the company can offer a decent dividend yield of 4-5% even after putting a significant cutback on its payout ratio.

Conclusion

No matter how the housing market crisis pans out, it will be better if you put aside some of your investment in the Inovalis stock. This REIT company has a firm footing in German and French real estate landscape, providing it with stable earnings that, in turn, allows it to offer good dividend yield to its investors. This trend is less likely to change in the future as well.

CATEGORY

1. Dividend Stocks
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