Buy These 2 REITs to Profit From Toronto's Soaring Housing Market

Description

Toronto's housing market is on fire! According to the Toronto Real Estate Board (TREB), home prices in the GTA (Greater Toronto Area) rose a whopping 15.4% over last January 2019.

With the increasing demand from first-time home buyers and immigrants, the market looks very strong in 2020. Many analysts, who originally thought the hot market may stagnate this year, are now projecting another year of record price increases.

One way investors can profit from Toronto's soaring market is by investing in real estate investment trusts (REITs) that specialize in housing. Here are two REITs for consideration.

RioCan expands from retail to residential properties

RioCan Real Estate Investment Trust (TSX:REI.UN) is one of Canada's largest REITs, with a total enterprise value of approximately $15 billion. The company is known for its focus on retail properties located in in prime, high-density, transit-oriented areas. The company's current portfolio is comprised of 220 properties with an aggregate net leasable area of approximately 38.4 million square feet.

Recently, however, the REIT has been growing its portfolio of residential properties and is planning significant increases in this area. Per the *Real Estate News Exchange*, RioCan currently has 4,800 residential units under development. Keeping with the company's strategy of concentrating on high-density areas, much of this development is in Toronto.

The strategy to increase its residential properties seems to be working. RioCan reported massive earnings growth in its most recent quarter, driven largely by increases in the value of its residential inventory.

RioCan is trading at $27.50, as of this writing, with a dividend yield of 5.26%.

Don’t forget Canadian seniors

One of the fastest-growing segments of the population is senior citizens. Within the next decade, the number of Canadian seniors is projected to exceed nine million residents, or nearly 25% of the population.

This group represents a unique challenge to the housing market. While most seniors prefer to age at home, the fact is that many will require either short- or long-term stays in assisted-living facilities.

This creates an opportunity to invest in companies that provide quality housing for senior citizens, like **Chartwell Retirement Residences** (TSX:CSH.UN). With over 200 retirement communities in Quebec, Ontario, Alberta, and British Columbia, this REIT is the largest operator in the Canadian seniors living sector. Chartwell offers a complete range of housing communities from independent supportive living through assisted living to long-term care.

As expected, the competition in this growing market is heating up. This increased competition impacted the company’s recent quarterly earnings release, where Chartwell announced net income of $9.1 million and a net loss of $0.8 million. The company reported accelerated new competition, particularly in Ontario and Québec.

However, by the end of this year, the company expects this impact to be moderated as the anticipated growth in demand for senior living accommodation outpaces the growth in competition. In other words, there’s plenty of demand to meet the supply, especially for major players like Chartwell.

As of this writing, the stock is trading at $14.16. The current dividend is 4.16%, and the company has increased its dividend by an average of 2% for the past four years.

Chartwell plans to continue to expand its real estate portfolio through asset-managed programs, development of new properties, and acquisitions. With a growing portfolio of properties in a rapidly expanding market, Chartwell Retirement Residences is well suited to take advantage of the coming boom of aging seniors.

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1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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