Retirees: 3 Discounted REITs to Buy in March

Description

The Canadian housing market has started out hot in 2020. In late 2019, I'd suggested that the real estate market would continue its bounce back at the start of this new decade. Finance Minister Bill Morneau eased regulations on the stress test for insured buyers to start out the year, but more help could be on the way for this frothy market.

Pressure is on the Bank of Canada (BoC) to drop its benchmark rate after the United States Federal Reserve moved forward with a cut of 50 basis points on March 3. A rate cut from the BoC would likely power momentum for Canada housing to start this year. At the time of this writing, reports indicate that the central bank could pull the trigger on a rate cut as early as today. Because of this, investors should keep their eyes on stocks in this sector.

Look to REITs in March!

Top Canadian real estate investment trusts (REITs) were a great bet in 2019, along with other steady income-yielding equities in the utility and telecom sectors. Recent market turbulence has not spared REITs, but when we consider the state of the domestic housing market now looks like a good time to buy on the dip.

RioCan REIT (TSX:REI.UN) is the second-largest REIT in Canada. Its shares have dropped 4.2% over the past week as of close on March 3. This has pushed the stock into negative territory for 2020.

The REIT had a banner year in 2019. Net income climbed to $775 million compared to $528 million in the prior year. Funds from operations per diluted share rose to $1.87 over $1.85 in 2018. Its major market portfolio generated strong same-property NOI growth of 2.5% for the year, and it aims to post 3% growth in 2020.

Shares of RioCan last possessed a favourable price-to-earnings (P/E) ratio of 10 and a price-to-book (P/B) value of 0.9. RioCan offers a monthly dividend of $0.12 per share, which represents a strong 5.6% yield.

BTB REIT (TSX:BTB.UN) is an open-ended REIT, and its operating segment includes retail, office, industrial, and mixed-use properties. Its stock has dropped 2.7% over the past month but has remained mostly flat even in the face of last week's major turbulence. Shares are up 19% from the prior year.

Investors can expect to see BTB's fourth-quarter and full-year results for 2019 on March 12. In Q3, BTB saw its occupancy rate hit a 10-year high of 93.6%. Same-property NOI increased by 10.1% to $10.6 million. This REIT last paid out a monthly distribution of $0.035 per share, representing a monster 8.1% yield.

Though it has not succumbed to the broad pullback, BTB still offers nice value. It last possessed a P/E ratio of 8.3 and a P/B value of one. This is an underrated REIT to target right now.

Crombie REIT (TSX:CRR.UN) is another open-ended REIT that is focused on the retail industry. Its stock has fallen 3.7% over the past month. Shares of Crombie are up 16% year over year.

The REIT released its fourth-quarter and full-year results for 2019 on February 26. Same-asset property cash NOI increased 3% from 2018 and operating income surged 119.5% to $44.1 million. Its same-asset NOI growth was powered by rate increases on existing tenant leases, new leasing activity, and improved revenues from modernization.

Crombie REIT last paid out a monthly dividend of $0.07417 per share. This represents a tasty 5.8% yield. Shares last had a favourable P/E ratio of 14 and a P/B value of 1.6.

CATEGORY

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3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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