



Market Crash 2020: 2 Top TSX REITS

Description

What's going on in markets and economies around the world is unprecedented. And while it's still an excellent opportunity to buy **TSX** REITs, investors have to do their research.

Each and every company is being affected by mandatory shutdowns around the world. The different degree of impacts on each business requires significant due diligence from investors.

It isn't enough to just select companies from specific industries that have done well in past recessions. This time around, there are a lot of other factors.

Lucky for investors, when complications and uncertainties like this arise, it creates significant opportunities.

For example, in recessions, the top sub-sector of the real estate industry is residential. However, some residential REITs, like **Boardwalk**, have been heavily sold off.

Investors have sold off Boardwalk in large part because of its substantial weighting to Alberta real estate — the province that's probably being the most affected by the current situation.

When investors rush to big-name [residential real estate](#) stocks, it often leaves lesser-known industrial REITs trading at an attractive discount.

Industrial REIT to buy

One of the most attractive names in Canada is actually a small industrial REIT on the TSX Venture exchange. **Nexus REIT** (TSXV:NXR.UN) owns a portfolio of industrial, retail, and office properties across Canada.

The company was voted to the TSX Venture 50 list in 2019, a list of the top up-and-coming stocks on the Venture Exchange.

The company has been growing rapidly. It spent \$31 million on acquisitions in 2019 and another \$17.4 million already year to date.

Going forward, it continues to look for high-value acquisitions. However, management has also reassured investors it's searching for organic ways to grow the business as well.

As of year-end 2019, 42% of its revenue came from industrial properties, 28% came from retail, 18% came from office, and 12% came from mixed-use. It also has a strong tenant base with various companies, including government businesses.

Nexus is a well-run company with solid assets, but none of the matters if it's in a vulnerable financial position. Nexus ended 2019 with a debt-to-assets ratio of just 49.1%.

Its debt is also well diversified by maturity date. This ensures that Nexus will never be strained; it's trying to pay down a significant portion of its debt in just one year.

All in all, the REIT is one of the most attractive on the TSX for investors to buy today. Its dividend currently yields 11.2%. That dividend had a payout ratio of just 79% in 2019, so there is a large margin of safety.

Retail TSX REIT

Retail REITs have been one of the most affected sub-sectors of real estate during this crisis. With the majority of businesses in Canada forced to shut down, there is worry among investors that some of these retail REITs will be majorly affected.

A lot of experts and economists have warned that these smaller businesses may not come back after this shutdown. This is the leading risk that when things open back up again, occupancy levels will be declining.

One exception to the Retail TSX REIT sector that's a top buy for investors today is **CT REIT** ([TSX:CRT.UN](https://www.crtre.it)).

CT REIT primarily owns properties that **Canadian Tire** stores use. In fact, Canadian Tire brands contribute roughly 92% of the REIT's base rent.

The REIT owns more than 350 properties across Canada and continues to improve its earnings power. Its five-year adjusted funds from operations per unit has grown at a compound annual growth rate of 6.5%. At the same time, its net asset value per unit has grown at a compounded annual rate of 5.8%. This is significant value creation for investors.

In addition, the massive earnings growth has helped to bring the payout ratio down significantly. At the end of 2019, the dividend, which has a current yield of 6.75%, had a payout ratio of just 75%. That gives investors significant safety on top of the fact that Canadian Tire is one of the best tenants a company could have.

Bottom line

These two top TSX REITs are extremely attractive for investors today. Both offer significant dividend yields that have conservative payout ratios. There's no guarantee that these discounts last, so it's crucial investors act decisively and take advantage of these attractive valuations.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:NXR.UN (Nexus Real Estate Investment Trust)

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