



Canadians: Now Is Your Chance to Start a Mini Real Estate Empire for Cheap!

Description

Office and retail REITs got caught in the blast zone of the [coronavirus](#)-induced lockdowns, causing shares of many diversified REITs to crater.

REITs with high exposure to the most-affected real estate sub-industries are now trading at significant discounts relative to their pre-pandemic levels. While it may take many years for the economy to make a complete return to normalcy, there is deep value in various office- and retail-focused REITs to be had today for those who aren't buying the thesis that the coronavirus has permanently destroyed the long-term demand for office or retail space.

Start your mini real estate empire with shares of hard-hit office and retail REITs

There's no question that the coronavirus pandemic has accelerated the rise of the stay-at-home economy. But once this pandemic is over, many folks will return to the malls and the offices despite the incredible new technologies that make it possible to get everything done from the comfort of one's home.

Sure, it's inconvenient to head to the local brick-and-mortar retailer for an item of interest or commute to work as a part of the daily grind. But that doesn't mean brick-and-mortar retail and physical office space is poised to become a relic of the past anytime soon.

Why? Humans are social creatures, and as we're self-isolating at home, many of us are discovering the real value of everyday social interactions that are only possible in the realm of the physical.

While there may be evidence that various firms are just as productive working from home amid this pandemic, many employees are likely itching to get back in the office for the valuable daily social interaction that may have been taken for granted.

Similarly, I believe people will eventually be headed back to physical retailers and other public

gathering places as soon as it's safe to do so, even if it's just to be in the company of people again to regain that long, lost feeling of normality.

Distribution cut or not, some REITs are too cheap to ignore

H&R REIT ([TSX:HR.UN](#)) is a dirt-cheap way to play the return of office and retail. The diversified REIT is weighted toward the two hard-hit real estate sub-industries and is currently down 57% from its February 20 peak.

H&R REIT's distribution yield has swollen to unprecedented heights, now at 14.7%. While the distribution is under a fair amount of pressure, even a 50% reduction would leave investors with more than enough to satisfy their income needs.

Fellow Fool contributor Kay Ng still thinks that [H&R REIT is a top buy in May](#), even if the REIT takes the axe to its distribution amid these difficult times.

"Receiving lower rental income, H&R REIT might cut the cash distribution by 30-50%. That would lead to an effective yield of 6.7-9.4% based on its quotation of \$10.30 per unit at writing," Kay wrote. "In the event of a dividend cut, I trust that management will restore the dividend to previous levels when the economy turns around."

I think Kay is right on the money. While the pressured distribution is likely to be reduced as coronavirus-induced pressures weigh on the ability of its tenants to pay rent, H&R REIT will inevitably re-instantiate its distribution to pre-pandemic levels once the coronavirus is eradicated and it's safe to go outside again.

Foolish takeaway

Nobody knows when the pandemic will be put behind us. However, if you're in the belief that demand for office and retail space will still be in relatively high demand once this ordeal is all over, H&R REIT is nothing short of a bargain if you're willing to hang onto shares for the next decade and beyond.

Personally, I don't believe that the coronavirus pandemic will be the final nail in the coffin for retail and office space. If anything, I suspect a rapid recovery in demand for retail and office properties, as most people are longing for social interaction and will return to the realm of the physical after this prolonged period of self-isolation.

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