



## 3 Rock-Solid REITs I'm Buying Amid the Market Chaos

### Description

Fewer sectors have been hit harder than Canada's real estate investment trusts (REITs). Several top REITs were down by more than 50%, although they have recovered somewhat with the rest of the market.

I still think it's a wonderful opportunity to load up on some quality REITs for the next decade or two. But investors must also be careful, since it looks likely the sector has changed forever. I wouldn't be surprised if this is the beginning of the end of some of the weaker players. The underlying real estate will always have value, of course. But that value is not nearly as high as some investors believe.

There are, however, pockets of strength in the industry. Let's take a closer look at three of the stronger REITs — companies I've been buying throughout the recent [market carnage](#).

### RioCan

**RioCan REIT** ([TSX:REI.UN](#)) is one of Canada's largest owners of retail space. Its portfolio — which is focused in Canada's largest cities — spans 222 properties and nearly 40 million square feet of space. This also includes a smattering of development projects — assets that have potential to increase the bottom line in the next few years.

RioCan's biggest development today is The Well, a downtown Toronto property that will feature 500,000 square feet of retail space, 1.1 million square feet of offices, and 1,800 apartments. It also has some 700,000 square feet of expansion planned at the intersection of Yonge and Sheppard, a major Toronto transport hub.

Yes, some of the company's retailers have been impacted by COVID-19. Movie theatres won't be back for a while, and neither will gyms. But the majority of RioCan's tenants should make it through today's tough times. Besides, this risk is well priced in.

Investors who buy in today are picking up shares for 33% off book value — a fantastic bargain. They're also paid a generous 8.3% dividend to wait, a payout CEO Ed Sonshine declares safe.

## Crombie REIT

When shares cratered to the \$10 level, I was quite bullish on **Crombie REIT** ([TSX:CRR.UN](#)). I'm less bullish now that shares are closer to \$14 each, but I still think the company is a buy today.

Crombie primarily owns grocery-anchored real estate, with a little office and industrial space mixed in. Its largest tenant is **Empire Company**, the parent company of grocery brands like Sobeys, Safeway, and Freshco, among others. Empire is also Crombie's largest shareholder.

Despite some 60% of rents coming from retailers that actually benefited from COVID-19 — including grocery stores and pharmacies — Crombie shares sold off significantly. Yet Crombie reported collecting 87% of April's rents. In other words, the company is positioned well to make it through this crisis.

And like RioCan, Crombie is also in the midst of its own redevelopment program, one that will eventually see dozens of grocery stores turned into mixed-use facilities.

Crombie also offers investors a succulent 6.5% yield — a dividend you can count on over the long term.

## BSR REIT

Residential REITs appear to be weathering this storm quite well. The sector has been proven to be recession resistant in the past — after all, people still need a place to live. Like Crombie, **BSR REIT** ([TSX:HOM.U](#)) has reported strong rent collection.

And yet, shares are still down nearly 20% from recent 52-week highs.

BSR owns apartments in certain cities in the southern United States with a focus on Texas, Oklahoma, Arkansas, and Mississippi. The portfolio consists of 45 different complexes spanning some 8,500 total units.

These markets have been specifically chosen for their attractive demographics, overall growth potential, and their affordability today. The company managed to increase rents by more than 10% last year — a trend that it hopes will continue once COVID-19 is behind us.

Another reason why investors should be [attracted to this REIT](#) is the high degree of insider ownership. Various insiders — led by CEO John Bailey and another prominent board member — own nearly 50% of the company.

Finally, BSR offers one of the better yields in the residential REIT sector, offering a payout of 4.8%.

## The bottom line on these rock-solid REITs

These three REITs are all excellent operators who are poised to do well in a post-COVID world. Yes, shares may not be as cheap as what they were a month ago, but it's still an excellent time to buy for long-term investors.

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1. Coronavirus
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1. Editor's Choice

### TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:HOM.U (BSR Real Estate Investment Trust)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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