



2 Mispriced REITs To Buy Now: Do Not Hesitate!

Description

The old phrase “the baby gets thrown out with the bathwater” is really appropriate in the real estate investment trust (REIT) space right now, in my view. The entire sector has sold off dramatically — and rightfully so. The main concerns driving the selloffs are about non-payment of rent and high leverage ratios for these trusts.

That said, as with every sector, some companies aren’t as bad as others. These companies should not have sold off as harshly as the broader group.

Here’s why I believe **Killam Apartment REIT** ([TSX:KMP.UN](https://www.killamreit.com)) and **WPT industrial REIT** (TSX:WIR.UN) are two examples of this.

Killam Apartment REIT

Many other REITs are now suspending financial projections. Therefore, transparency into earnings for various REITs remains scarce. In that regard, Killam is one REIT that will have one of the most transparent and stable set of projections out of the REIT group. This is due primarily to the nature of residential real estate versus other real estate types.

Several government programs in Canada are now set up to assist those paying rent to be able to continue making payments. This real estate grouping is therefore likely to see fewer delinquencies than retail or office properties.

The reality is that the average Joe is receiving more in the way of tangible assistance to stay solvent compared to the average small or medium size enterprise (SME). I expect this to continue.

Additionally, the impetus for renters to make good on their rental contract is high. No one wants to be out on the street. Folks typically do everything in their power to avoid such a scenario, including racking up credit card debt.

Killam’s concentration in affluent parts of eastern Canada makes this residential portfolio one that will

likely outperform over the long run. Thus, I believe Killam is mispriced at these levels.

WPT Industrial REIT

Industrial real estate is another sub-sector of the REIT space with [tremendous value](#) currently. When many investors think of industrial real estate, the thought of factories or heavy machinery may come to mind.

While these are certainly encapsulated in the grouping, warehouse space is the main component of most industrial real estate portfolios. This is an oft-overlooked property type in my view, for a few reasons.

First, warehousing needs for e-commerce companies (a fast-growing segment of retail) far outpaces existing supply. This is particularly true close to the city centres. REITs like WPT Industrial with properties across the U.S. in prime locations are simply that much more valuable.

I don't believe the cap rates for WPT, for example, truly reflect the value of the underlying property right now. Additionally, e-commerce requires three times as much square footage as retail on average. Therefore, the demand for high-quality industrial real estate in prime locations will only increase over time.

One specific individual characteristics of WPT underscores just how mispriced this REIT is right now, namely, that its U.S. assets that happen to be listed in Canada. This REIT is essentially U.S.-exclusive. The company pays a dividend in the U.S. dollars and receives its income in USD as well.

For those bullish on the U.S. dollar long term, WPT is a great REIT to provide further currency diversification for any portfolio. While this factor is often overlooked, it's particularly important for Canadian investors to consider.

Overall, there's a lot to like about WPT, and I would encourage long term investors to give this REIT a hard look today.

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1. coronavirus
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3. real estate
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TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)

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Author

chrismacdonald

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