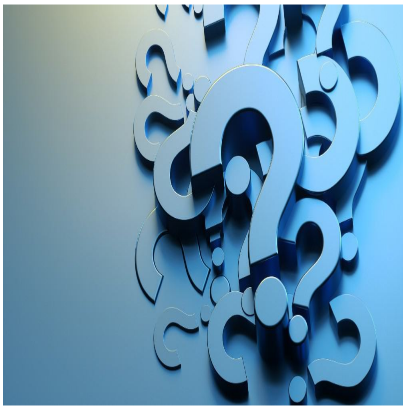

REIT Investing: On Sale or Value Trap?

Description

Stocks in many sectors have been beaten up with the market crash. Of course, REITs have been no exception to this, and REIT investing has been flipped on its head recently.

Naturally, as the economy closed, questions surrounding cash flow emerged. With businesses forced to close in strip malls and office buildings, many REITs were left with a surplus of vacant property.

As such, we've seen most **TSX** REITs plummet recently. So, those focused on REIT investing are left to ponder whether REITs are now cheap or headed even lower.

Today, we'll look at two top TSX REITs and examine whether they're on sale or possible value traps.

H&R

H&R REIT (TSX:HR.UN) is a major Canadian REIT. On the surface, it seems to be offering value to investors.

With a price/book ratio of 0.45 and a yield of 7.1% at the time of writing, H&R seems like a solid REIT investing pick at first glance. However, H&R has some major hurdles to clear.

For one, the REIT is heavily focused on retail and office spaces, which are at risk right now. Not only that, but there's nothing to suggest that the shift to online shopping and work from home setups isn't here to stay.

Plus, there are a few concerning figures present on the balance sheet. This REIT investing option has a profit margin of -56.42%. Its share price has also fallen 55.86% over the past 52 weeks and it has a beta of 1.66.

While some damage is to be expected, it's fair to question whether H&R can maintain the 7.1% yieldfor an extended period. It's important to note that H&R has already slashed the dividend in half toreach the 7.1% figure.

A further dividend cuts might not be out of the question, as H&R's portfolio is vulnerable in the current economic climate.

Choice Properties

Choice Properties REIT (TSX:CHP.UN) is another large Canadian REIT trading on the TSX.

While H&R is trading far below its book value, Choice is trading above it. However, Choice sports more reliability and safety than many of its REIT investing peers.

Unlike H&R, Choice has a massively positive profit margin and is trading slightly up over the past 52 weeks. It also has a very manageable payout ratio of 30.48% and a beta of 0.43.

Choice's performance can be linked to the nature of its holdings. Most of its properties are anchored by the retail giant **Loblaw**.

We've already seen Loblaw performing well even with a slowing economy, and as such, Choice doesn't have as much risk with its tenants.

Of course, there's a trade-off for the stability you can get with Choice. As of this writing, this REIT investing option is yielding 5.97%.

While lower than the offerings of many of its peers, that's still quite substantial. It's just over 1% below H&R's yield, but with much more stability and safety.

With Choice, you can get a reliable and steady yield for a fair price.

REIT investing plan

Right now, there's certainly some uncertainty when it comes to REIT investing. While some REITs might offer high yields worth the risk, with Choice, you can get a yield that rivals that of its peers with drastically lower risk.

If you're looking at adding to your REIT investing plan, Choice seems to be well positioned to generate solid total returns. As always, however, it's vital to weigh all the risk factors and long-term outlooks when choosing a REIT to invest with.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

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jagseguin