3 REITs to Buy if the Housing Market Corrects

Description

Canadian real estate investment trusts (REITs) have recovered significantly after the significant valuation drop across the stock market in 2020. The second quarter was the worst in terms of an earnings drop for the Canadian equity market.

With a housing market crash or correction possibly in the cards, investors are seeking alternative investments to buying a house to protect their capital and capitalize on the turbulence. If you want to remain invested in the real estate sector, here are a few REITs that could be worth adding to your portfolio during a housing market correction.

Defensive REIT

Northwest Healthcare Properties REIT (TSX:NWH.UN) is a highly defensive REIT that you can add to your portfolio. The healthcare sector has been prominent during the pandemic, and even Buffett is buying up equities in the healthcare industry. If you seek exposure to attractive income from the healthcare industry, Northwest can be an excellent asset to consider.

Northwest owns a portfolio of healthcare real estate worldwide. Most of its portfolio is distributed across Canada and Europe. Healthcare is publicly funded in both regions. It means that the company's revenues are mostly coming through government funding, providing the company with reliable returns.

Northwest has maintained high occupancy and rent-collection rates throughout the pandemic, and its valuation will not be affected by a housing market correction.

Retail REIT

Slate Grocery REIT (TSX:SGR.UN) is another exceptional REIT to consider if you want reliable passive income. Retailers proved to be quite resilient through the pandemic, since essential services could operate during even the strictest lockdowns. With lockdowns and restrictions still plaguing the economy, retailers like Slate Grocery REIT are strong choices.

Supermarkets and groceries account for 38% of its portfolio. **Kroger** and **Wal-Mart** are its two top tenants. The company owns and operates 77 shopping centres in North America. Since it is a wholly grocery-anchored business, Slate has managed to remain resilient throughout the pandemic. In terms of its tenant base, Slate has the lowest exposure to coronavirus-sensitive tenants.

Industrial REIT

Summit Industrial REIT (TSX:SMU.UN) is another REIT you can consider adding to your portfolio in case of a housing correction. Industrial properties are in high demand during the pandemic. Summit owns a portfolio of light industrial properties across Canada.

The company's tenants pay rent on time, and it expects the trend to continue. Tenants use Summit's light industrial properties as storage facilities, warehouses, light assembly and shipping plants, and call centres. These are all businesses that can continue operating during the pandemic, providing Summit with substantial revenues.

The REIT's portfolio allows its tenants to use the properties for a wide variety of purposes, making its rental spaces highly marketable. Operating costs and market volatility are also low for light industrial real estate, making the REIT more attractive.

Foolish takeaway

Several signs indicate that there could be a housing market crash or correction this year. However, there have been several failed predictions in the last few years. Nobody can accurately tell whether the housing collapse will occur. It would be foolish (with a small *f*) to be unprepared. It would be best if you could consider making moves to protect your capital in case a crash or correction occurs.

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2. TSX:SGR.U (Slate Retail REIT)
3. TSX:SMU.UN (Summit Industrial Income REIT)

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