2 REITs to Buy if You're Worried About the Shaky Housing Market

Description

The housing market in Canada, especially in the thriving metropolitans, is rapidly slipping away from the reach of everyday working-class people. The demand from both immigrants and people who are migrating from the other cities is fueling this growth, and the housing prices are reaching new heights. Despite that, the inventories are depleting faster than ever.

Right now, the market is far too hot for many of the first-time buyers to touch. The low-interest rates are only considered one of the elements that are instigating this trend. Still, even if we can't trace the exact root of this red-hot housing market, it's not too difficult to see that the current growth *might* be unsustainable.

If you want exposure to the real estate market *without* opening yourself up to the inevitable repercussions if the housing bubble bursts, there are a few REITs you might want to consider.

A commercial REIT

CT REIT (TSX:CRT.UN) is the real-estate wing of one of the country's most well-known retail chains, **Canadian Tire**. The company also happens to be the primary tenant of the CT REIT. It has a portfolio of 350 retail properties across the country. A high level of dependence on one tenant is both a benefit and vulnerability. Right now, the primary tenant is stable and income-producing, but in case it starts to struggle, the problem might be passed along to the REIT as well.

Right now, the REIT is offering a juicy yield of 4.9%, and the payout ratio is 102%. It's the first time the payout ratio has gotten this high in the last five years, but it's unlikely that the REIT will push away investors by breaking off its dividend growth streak and losing its aristocrat title anytime soon. Its net income has been almost consistent in the last two-and-a-half years. If it stays there or grows, it might not have any problems meeting its dividend obligation.

A residential REIT

Even though parking your money in a residential-facing REIT, especially in a shaky housing market, might not seem like the best course of action, **Morguard North American Residential REIT** (TSX:MRG.UN) is still a powerful bet. It has a geographically diversified portfolio of 43 multi-suite residential properties, 27 of which are in the US and the rest in Canada.

Its massive US exposure is likely to shelter it from any headwinds the local housing market might see in the coming years. Also, since its portfolio is primarily made up of affordable multi-family residential properties, it might not suffer a significant blow, even if the housing market crash. Its U.S. and Canadian properties have a 92% and 95% occupancy rate, which, coupled with a highly stable payout ratio of 15.5%, promises rock-solid dividends.

The REIT is currently offering a decent yield of 4.4%.

Foolish takeaway

Gaining exposure to the real estate market is beneficial in multiple ways. It comes with a lower cost barrier to entry, and you get to split the risk with thousands of other investors. REITs also tend to be generous with their payouts and serve as a truly passive investment. But even if you have the capital and the resources to manage real estate properties actively, it is not recommended that you enter the housing market as an investor right now.

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