3 REITs to Buy to Easily Invest in Canadian Real Estate

Description

The allure of land and gold has been around since the early days of humanity. It has dulled over the last few decades, thanks to more enticing commodities. Still, when we think about investing in something tangible and safe, real estate and gold are among the first few options that come to mind.

The main problem when it comes to investing in real estate is the cost barrier. You might consider saving enough money to buy real estate (or at least for a down payment), but then the cost of wasted time would be too much.

If you have decided to invest in real estate but don't have the right amount of capital, REITs offer an affordable and significantly more *passive* way to investing in this particular asset class.

An apartment REIT

The Nova-Scotia-based **Killam Apartment REIT** (TSX:KMP.UN) is one of Canada's largest residential landlords. It has a portfolio of 210 apartment properties (with a total of 17,377 residential units) and 250 commercial properties, and 39 manufactured home communities worth $3.8 billion in total. The breadwinner segment is the apartments, which make up 91% of the total revenue.

The portfolio is geographically concentrated in Nova Scotia (39%), Ontario (21%), and New Brunswick (21%). Killam has been steadily growing the size of its portfolio and its FFO per unit. The occupancy rate of 96.6% is impressive, and the revenues for every quarter have been in green for the past three years. With Killam, you get access to a decent 3.5% yield and steady capital-appreciation potential.

A high-yield REIT

Automotive Properties REIT (TSX:APR.UN) is relatively new. It was founded in 2015 and focused on a relative niche asset class: automotive dealerships. The REIT identified it as a stable asset class for long-term growth and consistent income. The REIT's portfolio consists of 66 income-producing properties that cover a total of over 200 acres of commercial land in urban areas.

Ever since its inception, the best growth phase the stock went through was the last 12 months, when it grew about 46.25%. But this recovery-fueled growth shouldn't be taken as an endorsement of this REIT's capital-appreciation potential. In any case, the most attractive feature of this stock is its 6.3% yield backed by a stable payout ratio of 82.7%.

A venture-capital REIT

Fronsac (TSXV:FRO.UN) is a small-cap REIT (market capitalization: $134.4 million) with decent growth potential and a considerable yield of 3.9%. It has grown about 670% in the last decade and has a 10-year CAGR of 26.5%. And despite its epic growth run, the stock isn't as aggressively overvalued as other growth stocks with track records like Foransac's tend to be.

The REIT has 79 properties in its portfolio. About half the NOI comes from five major tenants, including Sobeys and **Walmart**, and 82% of its tenants have a national presence. The company has been growing its rental income quite steadily and has a strong financial standing. More importantly, it still has a lot of room to grow and can be a powerful addition to the growth side of your portfolio.

Foolish takeaway

The three REITs above can give you exposure to different real estate market segments: multifamily residential properties, automotive properties, and retail. Almost all offer stable dividends, and none slashed their dividends in 2020.

CATEGORY

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2. TSX:KMP.UN (Killam Apartment REIT)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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