3 Screaming Bargains in the Canadian REIT Space

Description

The Canadian REITs have been slow to recover from the 2020 coronavirus stock market crash. Many harder-hit REITs have bountiful yields and are well-equipped to hit pre-pandemic highs once again in a return to normalcy.

The following three REITs strike me as a screaming bargain in the high-yield REIT space right here. If you seek big monthly income and a degree of inflation protection, consider nibbling shares of all three.

SmartCentres REIT

Through the worst of last years' crash, I backed up the truck on **SmartCentres REIT** (TSX:SRU.UN) while the yield was near the double-digits. I'm kicking myself for not having bought even more shares when everybody was more than willing to throw in the towel on the retail REITs.

Today, Smart is just 8% away from fully recovering from the COVID crisis. The yield is a modest 6.2%, far less than many other battered reopening plays out there. Still, I find the REIT to be of incredible value, given investors have already had a chance to view the cards of Smart. Rent collection is near normal, and there's a chance that shares could overshoot, as we exit the pandemic into a "Roaring 20s" kind of environment that could see an e-commerce hangover and a resurgence of shopping malls.

Given we have more clarity on the macro picture, I'd argue the risk/reward in SmartCentres REIT is better than it was when I picked up shares earlier last year. Shopping centres aren't dead yet. In fact, they're thriving — so much so that SRU.UN shares could soar above 2020 highs by year's end.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) or CAPREIT is just 5% away from fully recovering from the COVID crash. The 2.4% yield is far less bountiful than your average REIT. To many, CAPREIT isn't at all cheap. It may even seem expensive given all it will take is a bad COVID variant for households to have trouble making rent once again.

If worse comes to worst, the government will probably bring back CERB (or something similar) in response to another devastating outbreak. In the likelier scenario, where Canada reaches herd immunity, CAPREIT could prove to be a bargain at 5% off the top. Why?

CAPREIT not only has competent managers but also owns prime real estate in some of the hottest rental markets on the planet (Vancouver and Toronto). In such white-hot markets, CAPREIT calls the shots. It can increase rents easily in response to any bouts of inflation, making it one of the best inflation hedges on this side of the border.

While the distribution seems meagre, as a growth REIT, I'd look for the payout to increase at a quicker rate than most other comparable REITs.

RioCan REIT

With a 4.4% yield, **RioCan REIT** (TSX:REI.UN) is a compelling option for hands-off types of income investors. The diversified REIT is the second largest in Canada and provides exposure to various segments across the world of Canadian real estate.

The major sore spot for RioCan has been its non-essential retail exposure. Unlike SmartCentres, RioCan felt the full impact of the COVID crisis. With a reopening underway, however, RioCan shares arguably have the most room to run from here.

So, if you believe lockdowns will be lifted for good this time, thanks to nationwide vaccine progress, RioCan could be the best REIT for your buck, as it looks to hike its distribution in accordance with normalizing rent collection rates. If COVID variants cause reopening rollbacks, though, watch out because RioCan could have the most to lose.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/07/05
Date Created
2021/06/15
Author
joefrenette