The 2 Best REITs to Buy if You Can't Afford a House

Description

Property investors looking to acquire more houses to capitalize on the potential of residential real estate are not enjoying the best time right now. Economists continue to warn that the housing market bubble keeps growing bigger, but housing prices continue to increase, despite these fears.

The Canada Mortgage and Housing Corporation (CMHC) had previously predicted a significant correction in the housing sector, only to be proven wrong by its resilience. The agency now projects that home sales this year could reach 602,000.

Prices rose as much as 30% to break new records last year, and the housing market has continued its momentum this year. Affording a new house has become next to impossible now. However, investors interested in gaining exposure to the real estate sector can rely on assets like real estate investment trusts (REITs) that require far lower capital up front and better liquidity.

Dream Industrial REIT

Dream Industrial REIT (TSX:DIR.UN) is a decent growth REIT that you can consider adding to your portfolio. It is an attractive REIT with a decent valuation, making it a bargain at its current price. Dream Industrial REIT is trading for $14.58 per unit at writing, and it boasts a juicy 4.80% dividend yield.

The company's impressive financials are the primary reason behind its exceptional performance. The company's revenues did not take any hits during the pandemic, growing at their usual pace throughout 2020. With over 180 properties in its diversified portfolio of real estate properties, exciting growth prospects, and a juicy dividend yield, the REIT makes for an excellent pick.

Slate Grocery REIT

Slate Grocery REIT (TSX:SGR.U) is another excellent REIT that you can consider adding to your investment portfolio if you want exposure to the real estate sector. The REIT is trading for $10.54 per unit at writing, and it boasts a juicy 8.72% dividend yield at writing, making it a very attractive REIT to consider.

Slate Grocery REIT has over 100 properties in its investment portfolio, and almost its entire portfolio consists of properties rented by grocery stores. The company's properties are all located in the U.S., spread across 22 different states. Slate Grocery REIT has some major names under its belt, including **Walmart** and **Kroger**. It means that the company's prospects of sustaining its high dividend yield are promising.

Foolish takeaway

CHMC predicts that home sales will decline to 547,000 next year before climbing to 561,000 in the following year. It is unlikely that home prices will decrease in the coming years, but anything is possible. If you look at the 2008 housing crash in the U.S., not a lot of people saw that one coming either.

If you do not have the capital to invest in a residential property, investing your funds into REITs like Dream Industrial and Slate Grocery might be a better way for you to gain exposure to the real estate sector and earn steady passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:SGR.U (Slate Retail REIT)

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