



## Avoid the Red-Hot Housing Market: Earn Rental Income From 2 Top REITs Instead

### Description

One piece of advice to property investors is to avoid the red-hot housing market for now. Real estate prices have gone soared despite the ongoing COVID-19 pandemic. While current homeowners are happy with the price appreciation, it has become unaffordable to prospective buyers.

The prices are indeed eye-popping, and University of British Columbia sociology prof Nathaniel Lauster describes it as a perfect storm. The low interest rate environment and prospective homebuyers with higher savings during the pandemic is a dangerous mix.

Rather than buying real estate for investment purposes, the safer alternative is to invest in real estate investment trusts (REITs). Apart from the lower cash outlay, you can still earn rental income like a [real landlord](#). Furthermore, it could be a gamble because the housing bubble could burst anytime soon.

### Industrial REIT

**Summit Industrial** ([TSX:SMU.UN](#)) is an [excellent investment option](#) because of the high demand for industrial properties. The \$2.78 billion REIT owns and manages high-quality light industrial properties in the best locations across the country.

Similarly, the light industrial sector is a proven asset class due to the e-commerce boom. At writing the share price is \$16.55, while the dividend offer is a decent 3.41%

The competitive advantage of Summit is the generic use of its properties for lease. Tenants can set up warehouses, storage facilities, distribution hubs, and even call centers or light assembly and shipping plants. Notwithstanding the pandemic, last year was a record year for Summit Industrial.

In Q1 2021 (quarter ended March 31, 2021), the occupancy rate was a high 98.4%. The average lease term is 5.5% years, with a 1.6% average annual rent increase stipulation. Because of the high stable occupancy and contractual rent steps, Summit's revenue increased 13% versus Q1 2020. Likewise, net rental income rose 14.2%.

Other highlights during the quarter include a \$68 million purchase of a single-tenant warehousing and logistics facility in Ajax, Ontario. Management also announced the expansion of development projects in the Greater Toronto Area (GTA) following the investments in four development sites.

## The only REIT in the cure sector

**NorthWest Healthcare Properties** ([TSX:NWH.UN](#)) is the top-of-mind choice of investors in the real estate sector. Apart from the high 6.14% dividend, the \$2.52 billion REIT is the only landlord that operates in the cure sector. The portfolio consists of income-producing hospitals, clinics, and medical office buildings (MOBs).

Besides the home country, there are properties in Australia, Brazil, New Zealand, and Europe. NorthWest's partners in the jurisdictions it operates are leading healthcare operators. On June 10, 2021, management announced the purchase of a campus of four MOBs in the Netherlands.

NorthWest will also acquire 100% of the **Australian Unity Healthcare Property Trust**. In 2020, expansion in the U.K. began with the acquisition of 10 high-quality hospitals. The plan this year is to pursue geographic expansion further and optimize the balance sheet.

At only \$13.02 per share, you gain exposure to the real estate and healthcare sectors. In addition, the dividend payouts should be safe and sustainable as the weighted average lease expiry is 14.3 years.

## Government intervention

The federal government is moving to cool down the red-house market and lower housing costs. On June 1, 2021, new restrictions around mortgage stress tests took effect. Meanwhile, Prime Minister Justin Trudeau said more government intervention is forthcoming.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
2. TSX:SMU.UN (Summit Industrial Income REIT)

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**Date**

2025/07/21

**Date Created**

2021/06/16

**Author**

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