Buy Alert! This High-Yield REIT Is Nearing Oversold Territory

Description

The economy may be on the rebound, but we aren't there just yet. The **TSX** and other composites fell recently with a new surge in COVID-19 cases, especially in the United States. This has created yet another step backward — but not a leap. And that's why Motley Fool investors should still consider real estate investment trusts (REIT).

While it's incredibly easy to react to the market on a day-to-day basis, investors need to be smarter than that. The pandemic is coming to an end, and when it does there will be a return to some semblance of normality. That includes returning to work, travel, and shopping. All of these areas are where a REIT can flourish.

And today, there's one REIT that Motley Fool investors should consider as it nears oversold territory. So let's take a look at **Canadian Net REIT** (TSXV:NET.UN).

Canadian Net REIT

Shares of Canadian Net REIT have climbed 44% in the last year with the promise of a returning economy. However, after reaching all-time highs, shares are now going through a selloff. In the last month alone, shares of the REIT are down 12%.

As of writing, the company's relative strength index (RSI) sits at 35. That's just five short of oversold territory, which should be 30 or lower. Yet this REIT is one that can give investors reliable income, especially when taking into consideration this recent drop in share price.

Canadian Net REIT acquires commercial real estate properties across Canada, with 76 as of March 31 across the country. It continues to buy up more properties in this current market, mainly in high traffic areas and from household names such as Sobeys and **Loblaw**. As these locations were essential services, they continued to collect revenue and provide payments even during the pandemic.

The company also recently announced it would be acquiring a grocery store location in Quebec City for $6.2 million. This was announced on the back of a strong quarter, with funds from operations (FFO) up

27% year over year, a 99% occupancy rate, and collecting *100%* of rents for the quarter!

A yield to consider

It currently sports a 4.02% dividend yield, with a payout ratio of 75% as of writing. In the last five years, that dividend yield has increased at a compound annual growth rate (CAGR) of 10.81%!

Last year, the company announced its 10th consecutive annual increase, with double-digit hikes during the last five years. Analysts give the current state of affairs a thumbs up for the REIT, with a return potential average of 16% over the next year.

While that yield may be at 4%, it’s important to notice that the actual payout is only $0.30 per year. This makes those double-digit hikes a little less impressive. However, it also means you can pick up shares for just about $7.45 as of writing, a cheap stock that could see major growth even from a small stake.

Meanwhile, even during a catastrophe, it looks like this REIT will continue to pay Motley Fool investors.

With shares on a pullback, now is the perfect time to consider adding this REIT to your passive income portfolio.

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