



Invest in Real Estate With 3 Top Canadian REITs Under \$100

Description

Investing in [real estate](#) in Canada has its perks. Canada has one of the most unaffordable housing markets in the developed countries. The average price of a home in Canada has more than doubled since 2015. You can get exposure to this price movement for as little as \$100 by investing in REITs.

A smart way to invest in Canadian real estate

The Canadian Real Estate Association (CREA) [forecasts](#) national average home price to rise by 19.3% in 2021 thanks to near-zero interest rates. It expects home price growth to stabilize to 0.6% in 2022 as interest rates rise.

This is just about house prices. There are different types of properties, like retail stores, offices, industrial, and networking and data centres. Investing in Canadian real estate is a dream for many, given their sky-high prices. But you can get exposure to them in a cost-efficient manner with REITs.

A REIT is a company that buys land, develops properties, and sells or rents them out. As property prices rise, so does the rent. Hence, REITs are some of the best stocks to earn dividends. I have identified three REITs that can help you build exposure to a diversified real estate portfolio.

RioCan REIT

RioCan REIT ([TSX:REI.UN](#)) is the second-largest retail REIT in Canada. Its portfolio comprises 214 retail and mixed-use properties, with an aggregate net leasable area of approximately 37.2 million square feet. The REIT earns 91.1% of its rental revenue from the top six markets, where the property rates are high and occupancy is not an issue. Its strong retail portfolio has helped it pay regular monthly dividends for over 20 years.

However, the pandemic hit the retail sector hard, and RioCan was forced to cut its dividend by 33% — its first dividend cut in over 15 years. The stock is still [recovering](#) from the pandemic dip, trading at a 17% discount from its pre-pandemic level. You can buy this stock for \$22 a share and lock in a 4.36% dividend yield. The stock also has a 20% upside as it continues to recover.

Allied Properties REIT

Allied Properties REIT ([TSX:AP.UN](#)) leverages urban intensification in the top seven cities of Canada, including Toronto and Ottawa. It repurposes industrial properties to Class I properties urban workspace and data centre space. The urban intensification has encouraged Allied Properties to expand into mixed-use properties. The growing rental income has enabled the REIT to pay regular monthly dividends for 13 years.

Allied Properties even increased its dividends at a compounded annual growth rate (CAGR) of 2.8% in the last eight years from 2013 to 2021. You can buy this stock for less than \$44 a share and lock in a 3.9% dividend yield. The share also has a 26% upside if it recovers to the pre-pandemic level.

CAPREIT

Diversifying further into real estate, **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) gives you exposure to one of the most lucrative markets of residential. CAPREIT is one of the largest residential REITs in Canada. Founded in 1997, the REIT has been paying regular monthly dividends since 1998.

After 23 years, CAPREIT's portfolio comprises approximately 57,000 suites in Canada. It has also made investments in European Residential REIT, which gives it indirect exposure to about 5,800 suites in the Netherlands. It also has about 3,800 suites in Ireland. The pandemic accelerated the increase in house prices. CAPREIT shared this profit with shareholders by increasing its monthly dividend by 5% in August.

CAPREIT has been increasing its dividend at a CAGR of 4.1% since 2013. Unlike other REITs, CAPREIT not only increased dividends but also offered capital appreciation, even before the pandemic. The stock surged 60% in three years from 2018 to 2020, thanks to rising housing prices. The stock even rode the recovery rally (up 35%) from November 2020, when the vaccine was announced. You can buy this stock for less than \$62 a share and lock in a 2.29% dividend yield.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

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

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