3 Top TSX Real Estate Stocks to Buy in September 2021

Description

Canada's housing market is starting to cool down following a 3% dip in sales in July 2021. The Canadian Real Estate Association (CREA) said that sales and the average selling price have fallen for four months in a row. However, real estate investors shouldn't get carried away with the news, because the bidding wars are still ongoing.

Your best alternatives to owning a physical property are real estate investment trusts (REITs). Besides a lower cash outlay, you'd receive income as if you were a landlord. **H&R** (TSX:HR.UN), **Artis** (TSX:AX.UN), and **Choice Properties** (TSX:CHP.UN) are the recommended REITs for September.

Balance sheet strength

H&R is a $4.76 billion fully internalized REIT with 196 properties in Canada and the United States. The portfolio consists of office (38%), retail (31%), residential (23%), and industrial (8%) properties. At $16.25 per share, the dividend offer is 4.25%.

The COVID-19 pandemic was tough on retail and office rentals. Fortunately, a recovery is underway in 2021. The REIT reported a net income of $264.4 million in the first half of the year. H&R lost $984.1 million in the same period in 2020. Its president and CEO Tom Hofstedter was more than pleased with the Q2 2021 results.

Hofstedter said they reflect quality of the portfolio and balance sheet strength. Management also sold two large properties (Bow Office Tower and Bell Office Campus) for $1.5 billion to reduce exposure to the office market in Calgary. He believes it would improve H&R's tenant concentration profile and enhance its financial flexibility.

Industrial focused

Artis isn't as big as H&R, with only $1.5 billion in market capitalization. The real estate stock trades cheaper ($11.68 per share) but pays a higher 5.14% dividend. Current investors are also up 13.02%

year to date. While the pandemic hurt the business, the REIT is starting to bounce back this year.

In the first half of 2021, management reported $288.9 million in net income on $224.1 million in revenue. The loss in the six months ended June 30, 2020, was $56.6 million. The competitive advantage of Artis is that 54.3% of the 203 properties are industrial. Also, 90.3% of the properties in the entire portfolio are occupied.

National footprint

Choice Properties boast a national footprint, although the properties are predominantly retail (76%). Nonetheless, the average occupancy rate in the 717 income-producing assets is 96.9%. For the retail segment consisting of 575 properties, it's higher at 97.4%. Apart from the necessity-based tenants. **Loblaw** is the anchor tenant.

This $4.86 billion REIT pays a generous 4.98% dividend. At $14.86 per share, investors enjoy a 17.7% gain thus far in 2021. Like H&R and Artis, Choice Properties reported improved financials in Q2 2021. Its rental revenue increased 2.9% versus Q2 2020.

Notably, the REIT's net income was $84.6 million compared to the $95.8 million net loss in the same period in 2020. Despite the pandemic environment, development activities continue. The business model calls for Choice Properties to pursue or add high-quality real estate at reasonable costs.

Passive investing

Investing in H&R, Artis, or Choice Properties won't dent your budget, as none of these REITs trade over $20 per share. Likewise, the respective rental businesses should return to pre-crisis levels soon. You'd be like a real landlord in high-quality real estate properties and earning rental income without the usual responsibilities.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
3. TSX:HR.UN (H&R Real Estate Investment Trust)

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