Housing Crisis: 3 REITs to Beat the Blues

Description

Canada is in the midst of a serious housing crisis.

In 2021, houses are becoming so expensive that many younger Canadians can't afford to buy. The average Canadian house costs over $700,000, while the average salary for full-time employees is just $55,000 a year.

It's not the easiest time to buy a house. Low interest rates offset the effects of higher prices somewhat but only drive prices higher still. For many Canadians, a new home is, unfortunately, out of reach.

That doesn't mean that real estate investments are out of reach entirely though. If you're looking at real estate purely as an investment, not as a place to live, real estate investment trusts (REITs) are one way you can get your exposure. REITs are pooled real estate investments with high yields and relatively stable income. In this article, I'll explore three Canadian REITs you can buy today — no $700,000 mortgage required.

Northwest Healthcare Properties REIT

Northwest Healthcare Properties REIT (TSX:NWH.UN) is a healthcare REIT that leases healthcare office space to tenants in Canada and the European Union. In both Canada and E.U. member states, healthcare is government funded. So, tenants' money ultimately comes from the government — providing unparalleled revenue stability. That fact is borne out by NWH.UN's most recent earnings. In the second quarter, the REIT delivered 8% growth in AFFO and 6% growth in NAV — solid results, ensuring that the stock's 6%-yielding dividend will be paid well into the future.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust (TSX:REI.UN) is a large Canadian REIT that focuses on retail and office space. This REIT took a big hit during 2020, as the COVID-19 pandemic forced many of its tenants into default. The REIT took some heavy financial damage in 2020 as a result. But now, it's on the rebound. In the second quarter, REI.UN posted

- 7.8% growth in net operating income (NOI) per property;
- 95% rent collection; and
- $0.4 in AFFO per unit.

Those are pretty solid results. The COVID-19 pandemic isn't completely behind us, so there may yet be more hiccups for REI.UN. Certainly, its rent-collection rate is nowhere near as high as NWH.UN's. But it's climbing, and it should stabilize by the time the pandemic is finally over for good.

Simon Property Group

Last but not least, we have a U.S. REIT, **Simon Property Group** (NYSE:SPG). If you're looking to get some U.S. exposure in your REIT portfolio, this REIT would be an excellent way to get it. SPG is a mall REIT. This is one of the REIT sub-sectors that really got hit hard in 2020. The pandemic forced retailers of the types that lease mall space to close. In some cases, entire malls shut down completely. It was a scary time to be invested in mall REITs, to put it mildly. But now SPG is on the rebound. In its most recent quarter, it delivered

- $617 million in net income, up 142%;
- $1.2 billion in AFFO, up 63%; and
- Net operating income up 16.6%.

Those are pretty solid results all around. They suggest that SPG is beginning to walk off the damage it took from the COVID-19 pandemic and may be a solid buy. Certainly, it's an easier way to buy into real estate than buying a Canadian home at today's prices!

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TICKERS GLOBAL

1. NYSE:SPG (Simon Property Group, Inc.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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