Is RioCan (TSX:REI.UN) the Best Canadian REIT to Buy Now?

Description

Motley Fool investors have set their sights on the best dividend stock to buy these days. And inevitably, that means mainly real estate investment trusts (REITs). But the best REIT can be hard to find. After all, the real estate sector is still full of volatility. While an economic recovery is underway, higher interest rates could mean a once strong REIT isn't so strong anymore.

But that's why some Motley Fool investors consider **RioCan REIT** (TSX:REI.UN) a top choice on the **TSX** today. I'll look at why and if it's really the best Canadian REIT to buy right now.

What's happened lately?

Part of the reason Motley Fool investors tend to like RioCan REIT is because it's diverse. That proved appealing during the pandemic. It's one of the largest REITs in the country, focusing on retail properties in high-density areas. At first, that wasn't so great during the pandemic for obvious reasons. However, a lot of these retail properties are mixed use. So, while a retail store may be on the bottom, residential properties are built on top!

In the short term, it did mean a drop in year-over-year revenue growth on the TSX today. But that is starting to change. In fact, due to low interest rates, a lot of the company's tenants have used the opportunity to grow. That's especially true in those high-density markets, which aren't ideal during a pandemic but are strong otherwise.

But RioCan has used this recent pandemic to divert its focus to residential units, of which, 83% make up the company's development pipeline at the moment. This includes a new joint venture in a three-property multi-family residential rental portfolio in the Greater Toronto Area and two grocery-anchored retail assets.

But is it cheap?

The real question is whether this REIT is a good buy for Motley Fool investors. Let's first take a look at the fundamentals. RioCan currently has a price-to-earnings (P/E) ratio of 16.5, putting it just above value territory. It also has an enterprise value/EBITDA of 20.78, so, again, just above value.

Shares of the REIT are up 39% year to date but still quite shy of the pre-pandemic levels. That's despite making quite the turnaround, and that's where investors may want to focus when it comes to this stock.

While another REIT usually focuses on one area, RioCan has diversified to allow investors access to both residential income and retail income. When the pandemic is over, and it will one day end, RioCan has managed to bring itself back from the brink. This proves it can handle not just a market crash but a global shutdown.

With lockdowns coming to a close, and more fully vaccinated individuals all the time, it's unlikely the company will be back where it was a year ago. So, that makes today a strong time to pick up this REIT. You may not see the double-digit share gains in the next year, but analysts give it a potential upside average of 8% as of writing.

Foolish takeaway

There are quite a few REITs to consider when looking at where to invest. But RioCan is a strong option given its diverse portfolio and financial responsibility during the pandemic. Motley Fool investors can pick up the stock on the TSX today with a dividend yield of 4.27%. That dividend has remained stable for the last decade. So, if you want some passive income, this is one of the best Canadian REITs to add to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolfe
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/15
Date Created
2021/09/16
Author
alegatewolfe