



## 2 REIT Stocks to Ride the Real Estate Bull

### Description

Demand for real estate is rising such that organizations like RE/MAX Canada believe Canada's housing market is at a critical point. The bull run is still on, and home prices could rise 20% by year-end 2021, says the Canadian Real Estate Association's (CREA).

Despite home sales dropping 0.5% in August versus July, the average selling price went up by 13.3%. Because of the unprecedented supply and demand imbalance, CREA estimates the average price to be \$680,000. Its recent report also predicts a 5.6% increase in home prices in 2022, driving the national average to \$718,000.

Real estate investors should hold off purchasing properties given the precarious market conditions, including inflated prices. If you want to [earn rental-like income](#), consider investing in real estate investment trusts (REITs). **Nexus** ([TSX:NXR.UN](#)) and **Summit Industrial** ([TSX:SMU.UN](#)) are top performers and reliable [income stocks](#).

### Leading growth-oriented REIT

Nexus debuted on the TSX on February 4, 2021. As of September 17, 2021, the real estate stock trades at \$12.89 per share — a gain of 60.56%. The current dividend yield is 4.96%. A \$125,000 investment will deliver \$6,200 in passive income that translates to \$516.67 every month.

The \$564.16 million REIT owns a high-quality portfolio of industrial, office, and retail properties. However, the focus of this growth-oriented REIT is the industrial sector. About 61.5% or 56 of the 91 income-producing assets are industrial properties. Also, Nexus acquired 13 of them this year.

Nexus's industrial portfolio contributes 68% to net operating income (NOI), followed by retail (20%), which boasts national tenants offering necessity-based products and services. Besides long-term, stable cash flows, lease contracts have yearly rent-escalation provisions.

In Q2 2021, property revenues, NOI, and net income rose 24.4%, 24.6%, and 781% versus Q2 2020. According to Kelly Hanczyk, Nexus's CEO, the industrial weighting should increase to more than 70%

of the REIT's NOI soon. The company has a strong pipeline of further potential acquisitions in various stages.

## Proactive leasing program

Industrial REITs are thriving due to the e-commerce boom. Summit Industrial enjoys a tremendous boost, as evidenced by its most recent quarterly results. In Q2 2021, net rental income and same property NOI rose 19.3% and 5.5% compared to Q2 2020. Liquidity-wise, Summit had over \$800 million in cash after the first half of the year.

The \$3.66 billion REIT didn't have problems with rent collections throughout the pandemic and has maintained a high occupancy rate of 98.8%. Summit owns and operates 158 industrial properties. The high-value generic-use space of its portfolio is a competitive advantage.

Besides the low-operating and maintenance costs, the REIT enjoys lower market rent volatility against the commercial, office, and retail properties. The weighted average term of the properties under the progressive leasing program is approximately 5.7%. You get [value for money](#) at \$21.70 per share and 2.6% rock-solid dividends.

## Affordability crisis

CREA chairman Cliff Stevenson said a big spotlight has been shone on the red-hot housing market in the last 18 months due to the COVID-19 pandemic. The election has had candidates share ideas on fixing the housing market. For RE/MAX Canada, there must be a collaborative national housing strategy to arrest the affordability crisis. The result should be a more normal rhythm with the economy.

Real estate investors can take the cue and instead invest in Nexus or Summit Industrial to earn rental income.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NXR.UN (Nexus Real Estate Investment Trust)
2. TSX:SMU.UN (Summit Industrial Income REIT)

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