



3 REITS to Buy if You Think Housing Is in a Bubble

Description

Industry observers think Canada's housing market is in a bubble. While no one can show tangible proof or confirm it's true, there are indicators. UBS's most recent Real Estate Bubble Index shows the select cities in the world with high bubble risk scores. Toronto and Vancouver are in the top 10 list in 2021.

Toronto ranks second after Frankfurt in Germany. According to reports, almost 30% of buyers this year own multiple properties. It only indicates that real estate investment in Canada is alive and piping hot amid the pandemic. Despite efforts by the federal government to cool down the situation, the upward trend continues.

Market outlook

The RE/MAX Canada 2021 Fall Housing Market Outlook Report suggests the housing market will sustain its steady activity for the rest of the year. RE/MAX agents and brokers predict the average residential sale price for all home types to increase by 5% during the entire stretch of Q4 2021.

If you want exposure to the real estate market but fear the bubble bursting soon, why not consider real estate investment trusts (REITs)? You can be a mock landlord in **H&R** ([TSX:HR.UN](#)), **Automotive Properties** ([TSX:APR.UN](#)), or **InterRent** ([TSX:IIP.UN](#)). All three are steady performers on the TSX. Likewise, income investors prefer these REITs for their rock-steady [dividends](#).

Fully internalized

H&R specializes in commercial real estate. Its \$4.76 billion market capitalization indicates the scale and ample liquidity. The REIT accumulated a diversified portfolio of high-quality investment properties in Canada and the United States then leased them to credit-worthy tenants.

Management invests in four asset classes, namely office (28), retail (67), residential (24), and industrial (77). Apart from the existing rental properties, H&R has five development projects. According to

management, the office and retail properties also have significant future intensification opportunities.

At \$16.50 per share, investors enjoy a 28.94% year-to-date gain on top of the generous 4.18%.

Focus on multi-family properties

InterRent is half the size of H&R but is nonetheless a stable performer. The share price is \$17.81 (+32.14% year to date) if you invest today. While the dividend yield is a modest 1.83%, the [payouts should be safe](#). This \$2.42 billion REIT owns and operates multi-family residential properties. The locations are in Canada's high-growth, urban markets.

Expanding the portfolio is InterRent's ongoing concern, while its goal is to create value by revitalizing undermanaged properties. After the first half of 2021, gross rental revenue and net operating income grew 17.7% and 11.5% compared to the same period in 2020. Its vacancy rate was 7.8%, while the average monthly rent is \$1,399.

Unique REIT

Automotive Properties is an attractive option, because of its unique real estate asset class and industry with solid fundamentals. This \$518.41 million REIT owns 66 properties with automotive dealerships (32 global brands) as the tenants. Brisk business is back, as evidenced by the financial results after two quarters in 2021.

Management reported a net income of \$44.1 million versus the \$7.6 million net loss in the first six months of 2020. Its CEO, Milton Lamb, said industry consolidation should accelerate due to the strong recovery in sales. This REIT is a great value buy (\$13.28 per share) for its [fantastic dividend yield](#) (6.05%).

Returning to a normal rhythm

Christopher Alexander, senior vice president at RE/MAX, said Canada's housing market is often a good indicator of economic activity. He believes it will return to a more normal rhythm in 2022.

CATEGORY

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2. TSX:HR.UN (H&R Real Estate Investment Trust)
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