2 REITs That Are Solid Despite Housing Market Turbulence

Description

Canada's housing market is hot, and not just at regional levels. Toronto and Vancouver are two out of the nine international cities that are above the bubble risk threshold. And as two of the largest housing markets in the country, their risk permeates at a national level. If the bubble burst in these two markets, the impact would be felt by numerous smaller housing markets.

Still, it's difficult to say whether the bubble is ready to burst and if the market is about to crash. The Canadian housing market has been dangerously high for a while now, and it has survived this far without a major correction or a crash; it might stay aloft a little while longer.

And if the government and relevant bodies take appropriate measures, like regulating foreign investment and raising the interest rates, a slow and steady descent might take the market to a relatively fair level.

Until that happens, and residential assets (and housing-focused stocks) are safe to buy, you can focus on some commercial REITs that might promise solid returns, despite housing market turbulence.

A light industrial stock

Granite REIT (TSX:GRT.UN) is solid and has been for several years now. The industrial REIT generates a decent portion of its revenue from real estate assets focused on e-commerce, which is expected to be the defining edge of this generous REIT.

Granite is beloved by investors more for its steady and powerful growth than its dividends. But its 3% yield is almost as attractive as its powerful 10-year CAGR of 18%, especially at the current undervalued price tag. This dividend-growth combo is quite rare, making Granite a bargain at its current price.

This REIT is capable of keeping your capital safe, even in the current real estate environment, when the housing market is ready to weigh the whole sector down, thanks primarily to its commercial focus but also its international presence. The company only makes about 16% of its revenue from Canada. A much hefty portion comes from the U.S. and the rest from Austria and other European companies.

A U.S.-based grocery REIT

Grocery-anchored properties are considered evergreen because, regardless of the market conditions, people still have to eat. It's one of the few expenses no one can dispense with, making grocery business and grocery-anchored properties and REITs like **Slate Grocery REIT** (TSX:SGR.U) solid buys, even when the market conditions are rough.

This REIT might not offer a lot of capital-appreciation potential, but the REIT does offer a handsome 6.6% yield. The yield is enough to help you start a $110-a-month-dividend income with $20,000 invested. It's sheltered from the Canadian housing market because of the asset class it focuses on (grocery properties) and the geography. It's a U.S.-focused REIT with 106 properties in 23 U.S. states.

Foolish takeaway

If you are worried about the housing market but still want your portfolio to take advantage of the real estate market's growth and dividend potential, these two stocks should be a good way to start. There are others as well, but relatively few might offer you both asset class and geographic shielding from the Canadian housing market.

CATEGORY

1. Dividend Stocks
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