3 REITs Canadian Investors Can Hold for Decades

Description

There isn't a lot of diversity within the residential real estate sector. There are a few different types of asset classes, and though they may behave/perform quite differently from one another based on their geographic placement, the asset classes themselves usually move in tandem to the broad market patterns.

Commercial real estate (CRE), however, is quite different. The CRE asset-class variety allows real estate investors, or retail investors with exposure to the real estate sector through REITs to achieve a lot of diversification without going out of the sector.

A retail-space REIT

SmartCentres REIT (TSX:SRU.UN) has an impressive portfolio composed mostly of the asset class (retail: service centres), which got thrashed during the pandemic. However, the REIT stock fared relatively well. A lot of the credit goes to the REIT's tenant portfolio, which includes **Walmart**, which anchors about 73% of the REIT's properties and generates a quarter of the total revenue.

The portfolio's heavy lean towards pharmacy and grocery tenants is another reason it managed to stay financially afloat during the worst crisis to hit the retail sector in general for decades. It has also managed to retain its status as an aristocrat so far, though we have yet to see whether it will grow its payouts in the coming year or not. The current yield is a juicy 5.7%, which can help you create a reliable and sufficiently sizeable income stream.

An industrial properties REIT

Industrial properties, especially light industrial ones, which include logistics properties and warehouses, have been seeing a serious uprising, thanks to the rise of e-commerce. This has been a catalyst for the growth of **Dream Industrial REIT** (TSX:DIR.UN) as well, which owns and portfolio of 221 such properties, including distribution centres and urban logistics.

The stock has returned a bit over 100% to its investors in the last five years through capital appreciation, and the growth has been quite steady. And since the REIT's financials have kept up with the price movement, the company is currently quite undervalued. And apart from offering a decent capital-appreciation potential, it's also offering a modestly high 4.1% yield.

Healthcare properties REIT

NorthWest Healthcare Properties (TSX:NWH.UN), while a modest growth stock, is preferred more for its dividend and the stability its underlying asset class offers. Healthcare is an evergreen business, and the REIT's management has made it even safer by spreading out the revenue streams among different healthcare properties *and* geographic diversification.

In the last quarter, about half the revenue came from the REIT's Australian properties, and the rest from Brazil, Canada, Germany, and the Netherlands. The REIT is currently offering a juicy 5.8% yield. Its five-year CAGR of 13.7%, while not quite significant, is amazing compared to REITs that only offer decent dividends. The value is quite attractive as well.

Foolish takeaway

The commercial real estate market in Canada is relatively safer compared to the residential segment of the real estate sector, which has been on a dangerous bull run for over a decade. The three commercial-facing REITs have portfolios that are likely to remain relevant and income-producing for decades, making their dividends safe and sustainable.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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