



3 Discounted REITs to Buy Right Now

Description

If you consider the performance of the **S&P/TSX Capped Real Estate Index** in the last two years, the real estate sector saw a relatively slow recovery to the pre-pandemic levels compared to most other sectors. It only reached its pre-pandemic levels in Oct. 2021.

And it has already fallen over 4.7% from that point. While this “price” discount doesn’t reflect in many REITs, many of them are currently offering great valuation bargains.

An apartment REIT

The Nova Scotia-based **Killam Apartment REIT** ([TSX:KMP.UN](#)) is currently trading at a 9.2% discount from its recent peak and has a price-to-earnings multiple of just 8.29. This, while fundamentally undervalued, is just slightly undervalued compared to the current valuations of its peers.

Even though the REIT is based in Nova Scotia, its portfolio is quite spread out. The bulk of the 18,685 properties is in three provinces: Nova Scotia, New Brunswick, and Ontario. The massive presence in the first two provinces is part of the REIT’s competitive edge, as it’s the “big” fish in those areas.

Killam offers a healthy mix of capital-appreciation potential and yield, which is currently at 3.27%, and the collective package is a bargain at this price and value.

The largest Canadian REIT

Canadian Apartment Properties REIT ([TSX:CAR.UN](#)) is the [largest REIT](#) in the country by market cap and one of the largest (if not the largest) by portfolio. It has a massive portfolio of about 59,620 sites and suites and boasts an occupancy rate of about 98.6%. Geographically, its portfolio leans quite heavily towards Ontario and Quebec, but it has a presence in five other provinces as well.

And even though it’s only a small portion of its portfolio, the REIT also owns MHC communities. This \$9.3 billion market-cap REIT is currently quite attractively valued and is trading at a price-to-earnings

multiple of just 6.68, which is complemented by the 14.3% discount.

And even though the yield is still just 2.7%, the current discounted and undervalued price is perfect to buy and hold the REIT long term for its capital-appreciation potential.

A light industrial REIT

Even though REITs are famous for their dividends, there are relatively few aristocratic REITs in Canada, and one of them is **Granite REIT** ([TSX:GRT.UN](#)). Ironically, dividends are rarely the reasons investors are attracted to this stock, as evident by its modest (for a REIT) 3.2% current yield.

What's most alluring about Granite is its powerful [capital-appreciation](#) potential. It has a 10-year CAGR of 16.6%, and even if you adjust it for post-pandemic rapid growth, it's still quite considerable, especially if you add the dividend-based return potential to the mix.

Currently, another important reason to buy Granite is its heavily discounted valuation. It's currently trading for a price-to-earnings multiple of just 4.8 and a price-to-book multiple of 1.2 times.

Foolish takeaway

All three [undervalued REIT stocks](#) offer a great mix of dividends and capital-appreciation potential, especially at their current prices. And based on their respective competitive advantages, you can hold all three long-term to maximize the return potential.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)
3. TSX:KMP.UN (Killam Apartment REIT)

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Author

adamothonman

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