3 REITs to Buy and Hold for Decades

Description

As an asset class, real estate has an allure that's very hard for other investment assets to mimic. There is something inherently attractive about owning a piece of land/property. It's partly the reason why investors are drawn to REITs — stocks that offer relatively direct exposure to real estate.

But these REITs are not nearly as stable as real estate in general. Still, there are some REITs that are perfect long-term holdings for their stability (as well as return potential).

A heavy-yield REIT

Inovalis REIT (TSX:INO.UN) — one of the smallest REITs by market cap ($292 million) is currently offering one of the heaviest yields (9.2%). At this rate, if the REIT doesn't suspend or slash its payouts, it will pay you back the entire investment capital in under 12 years via dividends alone. One of the reasons for such a high yield is its discounted share price.

The REIT is currently trading at an 18% discount from its pre-pandemic peak and a 13% discount from its yearly peak. It is also reflected in the valuation, though it leans more towards fair than undervaluation. One great thing about Inovalis's dividend is that it is backed by a stable payout ratio of 88%.

It's also one of the few REITs with such a high yield that didn't slash its dividend during the pandemic. The completely international portfolio is another point in the REIT's favour.

A growth-oriented REIT

If you are more interested in capital-appreciation potential compared to dividends, then the largest one, **Canadian Apartment Properties REIT** (TSX:CAR.UN), might be a better fit for you. The REIT is currently offering a very modest 2.78% yield, and even though the growth potential has waned quite a bit since the pandemic, the long-term potential is still substantial.

The 10-year CAGR of 12.4% is not just sustainable in the long term; it's currently also available at a discounted valuation and price. The price-to-earnings multiple is just 6.5 at the time of writing this (with a price-to-book multiple of 0.9).

As for the price, it's currently at a 16.7% discount from its yearly peak. It may be underperforming the market right now, but its powerful portfolio will most likely allow the REIT to reverse course and restart growing at its former pace.

A decent growth and dividend potential

If you are looking for the best of both worlds (dividends and capital growth) with adequate sustainability, **CT REIT** (TSX:CRT.UN) is a great option. It's currently offering a dividend yield of 4.7%, which may seem low compared to Inovalis, which is quite decent compared to the TSX "average." And since it's also a Dividend Aristocrat, the dividends are even more strengthened.

The capital-appreciation potential has been relatively decent since the beginning of 2019. The REIT has grown its market value by about 55% in the last three years and about three-and-a-half months. That's not phenomenal, but it's significantly better than REITs with almost no growth potential.

As for sustainability, it primarily leases to its parent company, **Canadian Tire** businesses, so turnover rates would naturally be lower.

Foolish takeaway

It would be wise to stash the three REITs in your TFSA. Even if you are not cashing out the dividends, you can grow your stake by choosing the DRIP. And the capital-appreciation potential would help boost the size of your TFSA portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CRT.UN (CT Real Estate Investment Trust)
3. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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