Real Estate Investing: 3 Cheap Canadian REITs to Own

Description

You can become a passive landlord and collect monthly income by doing nothing other than buying shares of quality real estate investment trusts (REITs). Does it sound too good to be true? It's not.

What's even better is that with easy access to financial information online nowadays, it's fairly easy to research and determine if a Canadian REIT is cheap or not. Thanks to free trading via online brokerages like Wealthsimple and **National Bank of Canada**, investors can start investing in real estate with very little money — no big down payment is needed.

Here are three Canadian REITs trading at decent discounts.

CAPREIT: A top-notch residential REIT

Canadian Apartment Properties REIT (TSX:CAR.UN), or CAPREIT, is a very well managed residential REIT with rental properties primarily in Ontario, Quebec, and British Columbia. Rising interest rates have helped pressure the monthly dividend stock. This gives an opportunity for long-term investors to scoop up shares of the quality residential REIT over the coming months. From its 52-week high, CAPREIT has retreated about 17%. It's about to approach a support level in the $50 range.

There's always demand for housing — you either rent or own your home. Therefore, CAPREIT's occupancy remained high at 97.5%, even during the pandemic in 2020. Last year, its overall occupancy improved to 98.1%, and its net operating income boosted by 5.5% to almost $610 million. Other than high occupancy, its cash flows are also stable from larger average suite size and affordable rental rates.

At the recent quotation of $51.48 per unit, it offers a nice yield of 2.8%, and analysts estimate that CAPREIT stock trades at a cheap valuation with a discount of 23%.

Canadian Net REIT

Canadian Net REIT (TSXV:NET.UN) is also an undervalued dividend stock. Unlike CAPREIT, it invests in a portfolio of 95 commercial properties. Commercial properties could be a higher-risk, higher-return real estate investment than residential properties.

At a high level, Canadian NET REIT's small size, acquisitive nature, and leasing model contribute to highly stable and growing cash flows. It maintains a high occupancy rate of 99%.

In the past five years, Canadian Net REIT more than doubled its funds from operations per unit, increasing it by about 18% per year! In the same period, it raised its payout by 86% (or approximately 13% annually). These are above-and-beyond growth rates that are rare in Canadian REITs.

What's more to love is that the REIT offers a juicy yield of almost 4.2% and trades at a discount of roughly 13%.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) trades at the smallest discount of 10% compared to the other two REITs. However, it also offers the highest yield of 5.8%. To some investors, current income is more important than a bigger discount. If so, they can look more closely at the healthcare REIT, which earns rental income from healthcare facilities, hospitals, and medical office buildings.

Like residential properties, healthcare properties are also considered to be a defensive asset class. NorthWest Healthcare's portfolio consists of about 224 properties with a high occupancy of 97% and a weighted average lease expiry of roughly 14 years.

CATEGORY

1. Investing

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1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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