2 REITs That Are Still Smart Buys

Description

The housing market in Canada is still soaring, and the bubble is getting more prominent over time. However, the same trend is not reflected in the **S&P/TSX Capped Real Estate Index,** which peaked in Jan. 2022 and has been on a downward trend ever since.

default watermark

And even though the correction is relatively minor (for now) and the bullish phase for part of the REIT pool might be over, there are still two REITs that are smart buys.

A residential REIT

The housing market is too hot to touch in Canada right now, but you *can* access it with an investment like **Interrent REIT** (TSX:IIP.UN). The REIT currently operates an extensive portfolio of 124 properties in four core markets, with Greater Toronto and Hamilton having the largest share. These properties translate to almost 12,877 residential suites — i.e., the REIT's FFO sources.

The REIT is beloved by investors more for its capital-appreciation potential than its dividends. Even now, when the stock is trading at an 18% discount from its recent peak, the stock is only offering a dividend yield of 2.2%, which isn't too low, but it's not a compelling enough reason to buy a REIT. However, the capital-appreciation potential is a breed apart.

If you count till the last peak, the stock rose over 380% in the previous decade. If it keeps growing at this rate, it has the potential to double your investment capital in the next three to four years. That might be an even better growth rate than most physical real estate properties might offer.

An urban workspace REIT

Allied Properties REIT (TSX:AP.UN) doesn't market itself as a simple office properties REIT, even though that's what it essentially is. It's an urban workspace REIT that focuses on consolidating Class I workspaces in various markets.

This naturally resulted in an aggressive yet strategic acquisition approach that the REIT follows, the most recent example is its acquisition of an office portfolio from another REIT (**Choice Properties**).

The REIT has seen phenomenal growth since its inception, and both its portfolio and stock have moved up at an incredible pace. It has about 195 rental properties on its portfolio spanning 14.2 million square feet and six major markets, though the bulk of it is in two markets: Montreal and Toronto.

The REIT offers a different combination of capital-appreciation potential and dividends. The yield is currently significantly more attractive compared to Interrent (3.9%), thanks mainly to the 25% discount the REIT is still offering. The growth potential is not as aggressive, but it's significantly more predictable.

Foolish takeaway

There are a lot of REITs that are primarily cherished as dividend stocks. But the two REITs that are still smart buys are worth looking into for their capital-appreciation potential. One of them (Interrent) is a good option from a valuation perspective as well, though both are discounted.

default watermark

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/13
Date Created
2022/04/21
Author
adamothman

default watermark

default watermark