



## Investors: Don't Buy Expensive Real Estate. Go Long on 2 REITs Instead

### Description

Home prices in Canada have shattered records since June 2020. The unprecedented price growth led to an affordability crisis that seems to be incurable in the short term. Homebuyers, including first timers, can't wrap their heads around the steep prices. Rising [interest rates](#) compound their woes, and delaying purchases might be the practical thing to do.

Also, given the dire lack of housing inventory, expect the market imbalance to last longer. Meanwhile, investors face the same predicament. No one can predict [how much real estate will cost](#) if inflation continues to flare up. If you want exposure to the real estate sector, the wiser move today is to buy real estate investment trusts (REITs).

Some industry experts suggest going long on REITs, because the asset class offers natural protection against inflation. Large landlords benefit from higher rents since leases are tied to inflation. In the industrial sub-sector, **Nexus** ([TSX:NXR.UN](#)) is the prominent choice. On the retail side, **Slate Grocery** ([TSX:SGR.U](#)) is the profitable option.

Since both REITs pay attractive dividends, you can [earn rental-like income](#) at a lesser cash outlay. Thus far, in 2022, Nexus and Slate Grocery are winning real estate stocks with their 6.30% and 13.82% year-to-date gains, respectively.

### Continuous high-grading of portfolio

Nexus is growth oriented and had a superb performance in 2021. The \$1.04 billion REIT has major growth plans in 2022, including a rebranding to Nexus Industrial reflect its strategy and portfolio focus. At \$13.24 per share, the dividend yield is 4.87%.

Management said the REIT is in a pretty liquid position in 2022. Among its competitive advantages are stable long-term leases for single-tenanted properties and rollover leases that will pay higher rents. In-demand industrial properties comprise the bulk of Nexus's portfolio.

With five industrial properties in the pipeline in 2022 and two acquisition targets in 2023, expect rental

revenues to increase significantly. Kelly Hanczyk, CEO of Nexus, said the cash flows that would enter the system will continue to boost the portfolio's performance. Once the transactions closes, industrial properties will contribute about 85% of the REIT's net operating income (NOI).

## Resilient sub-sector

Based on published reports, Canada's housing market is exceedingly expensive compared to the United States. Canadians can get exposure across the border through Slate Grocery. The \$955.79 million REIT owns and operates U.S. grocery-anchored real estate.

Its CEO Blair Welch said, "Slate Grocery REIT's strong performance throughout 2021 underscores yet again the exceptional operational abilities of our management team and the strength and resiliency of the grocery-anchored sector ... We have significantly accelerated the REIT's growth and enhanced the overall stability and durability of our portfolio."

Slate's unchanging mission is to own and operate a superior portfolio of grocery-anchored assets. They should provide long-term sustainable income. Apart from visible organic growth, management will pursue high-quality, accretive acquisitions to unlock shareholder value.

The high 93.6% occupancy rate (107 properties) in Q4 2021 marks six consecutive quarters of occupancy growth. Slate's current share price of \$16.14 is a steal, considering the hefty 6.75% dividend.

## Competitive returns

REITs deliver competitive total returns whether in moderate or high inflation. Besides the steady income streams, Nexus and Slate Grocery are excellent portfolio diversifiers.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NXR.UN (Nexus Real Estate Investment Trust)
2. TSX:SGR.U (Slate Retail REIT)

### 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. cliew
2. kduncombe

## Category

1. Dividend Stocks
2. Investing

## Date

2025/08/15

## Date Created

2022/04/27

## Author

cliw

default watermark

default watermark