Give Yourself a Raise With This Dirt-Cheap REIT

Description

Inflation has been a terrible beast that's proven difficult to tame of late, with Canadian CPI numbers blasting off to 6.7%. Nobody knows when these rapid price increases will peak, but I think it's safe to say that a mere 25-bps rate hike from the Bank of Canada (BoC) simply will not cut it. Indeed, more rate hikes are coming, but is it too late to save us from 8-10% inflation? We simply do not know at this juncture. In any case, investors need to invest in a way such that they'll minimize any damage coming their way from yet another year of hot inflation.

Inflation has outpaced wage growth of late. And if you're having trouble getting a raise from your employer, as many are right now, you should look to give yourself a raise with the many intriguing REITs out there that can help average up your portfolio's yield.

While I wouldn't suggest chasing the super-high-yielders that have unhealthy balance sheets or questionable sustainability of cash flows, I think it makes sense to look to the corners of the REIT space that many may be neglecting. Indeed, there's still value out there in REITs, even as rates look to march higher to knock inflation back to levels that are less painful to the wallets of Canadians.

Inflation is running hot: It's time to give yourself a raise!

Indeed, inflation is a far worse beast than higher rates. Though real estate could slide if rates were to rise much higher, I'd argue that the market certainly could use some time to cool. Undoubtedly, young Canadians have been priced out of buying a home, and that's really sad, especially in markets like Vancouver, where owning a home has become a pipedream for a vast majority of millennials.

Indeed, the BoC needs to act, and certain REITs may react negatively. Regardless, I think that investors seeking shelter from inflation should buy a little bit of their favourite REIT today with the intention of buying more on a pullback. Averaging down seems to be the way to go in markets like this, where volatility is the name of the game!

In this piece, we'll have a closer look at **H&R REIT** (TSX:HR.UN), one intriguing large-cap REIT that I think provides meaningful value going into May.

H&R REIT

H&R is a diversified basket of property types. At around $13 per share, H&R REIT is still a country mile away from hitting its pre-pandemic highs just north of $22 per share. Recently, shares slipped again, and it seems like investors are still no fan of the REIT's heavy office and retail exposure. Undoubtedly, office is arguably one of the worst places to be in real estate these days. Just look at all the workforces that are staying at home, even as conditions normalize.

The way I see it, office space will be under pressure, whether or not future waves of COVID strike. At this juncture, lockdowns seem unlikely, but future waves could change this.

Though office space has been marked down, I think most of the negativity is baked in. And with a wide range of other types of real estate, I think H&R is way too cheap to ignore, now down 45% from its five-year highs. Asset sales could improve the REIT's mix, but it's such a shame that the price H&R will get will be much less than it could have gotten before the pandemic.

With a juicy 3.9% yield, H&R is a great way to give your portfolio a bit of a raise, as you look to keep up with inflation that could fall back towards the 4% range in as little as a few quarters. For now, a good mix of gains and distributions should help investors stay afloat.

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Date
2025/08/23
Date Created
2022/05/01
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