



## 3 Cheap Canadian REITs to Buy in May 2022

### Description

Regardless of capital appreciation, [real estate investing](#) generates real value from rental income. Unfortunately, it's a lot of work to manage rental properties — particularly if you want to diversify. By investing in real estate investment trusts (REITs), you can invest in real estate passively by selecting the industries you want to invest in as well as determine if you like what management has done so far.

Here are three diversified Canadian REITs that are getting cheap, perhaps due to rising interest rates, and that will be increasing their borrowing costs over time. Consider building a position during the correction for passive monthly income and long-term price appreciation.

### Summit Industrial Income REIT

Last week, Andrew Moffis chose **Summit Industrial Income REIT** ([TSX:SMU.UN](#)) as one of his top stock picks on *BNN*. He believes it is “the best way to play the strongest and tightest market in North America, and that’s the industrial market, specifically in Montreal. It has a track record of creating value. And is a good takeout candidate at some point. Summit Industrials Income REIT is trading at a wide discount to its net asset value.”

The Canadian industrial REIT stock has corrected more than 15% from its 52-week high. So, it’s a good time to take a closer look. It is focused on building and managing a portfolio of light industrial properties. It has interests in about 156 properties totaling approximately 20.7 million square feet of gross leasable area. Because of its defensive assets, it enjoys a high occupancy rate of about 99%. Furthermore, it should benefit from organic growth as well as growth from acquisitions.

It yields just over 2.8% at writing of \$19.81 per unit. Analysts believe it’s undervalued by 20% such that it can deliver price gains of about 25% over the next 12 months.

### Killam Apartment REIT

Let’s look to [residential REIT](#) **Killam Apartment REIT** ([TSX:KMP.UN](#)). Analysts also think the

Canadian REIT is a buy. It's in a defensive asset class — people either own or rent the place they live in. Killam Apartment REIT's funds from operations (FFO) have been rising every year since 2015. And the company has been raising its cash distribution annually since 2017 with a five-year dividend-growth rate of 2.8%.

At \$19.33 per unit at writing, the REIT provides a safe yield of 3.6% on an FFO payout ratio of about 63%. The 12-month analyst consensus price target suggests the stock is undervalued by roughly 25% and has upside potential of about 33% in the near term.

## Canadian Net REIT

**Canadian Net REIT** ([TSXV:NET.UN](#)) is the smallest of the three Canadian REITs. It only has a market cap of about \$160 million and low trading volume. It is a low-volatility stock that's perfect for conservative investors. Once you get your hands on some shares, it makes a great passive, monthly income payer.

It invests in a high-quality portfolio of commercial real estate. Despite its size, it is diversified across 95 properties and has gross leasable area of about 1.3 million square feet. Some of its growth drivers include being involved in developing properties and active in making acquisitions.

What's critical is that management has led the company to exceptional growth. Specifically, in the last 10 years, it has increased its FFO and cash distribution per unit at a compound annual growth rate of about 10%.

At \$7.90 per unit at writing, analysts believe it's discounted by 15%. To boot, it also provides a juicy yield of about 4.3%.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:SMU.UN (Summit Industrial Income REIT)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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kayng

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