3 Canadian REITs to Buy for Defensive Income Growth

Description

As the market appears to be under siege right now, investors may think there's no place to hide. In many respects, that may be true. Whether it's stocks, bonds, or alternative investments such as real estate and REITs, there are few sectors that are out of the reach of the Federal Reserve.

With interest rates on the rise, all sectors are likely to get hit from valuation compression. Rising rates means less consumer strength, providing weakness for most companies. For REITs, this can mean even more on the valuation front, as rising rates directly impact the value of real estate.

That said, there are some top-quality REITs I think are worth considering right now, many of which pay excellent dividend yields to investors seeking income. Here's why **SmartCentres REIT** (TSX:SRU.UN), **Dream Industrial REIT** (TSX:DIR.UN), and **Granite REIT** (TSX:GRT.UN) are on my list.

Top REITs to buy: SmartCentres REIT

SmartCentres REIT has been one of my favourite options for investors to consider since its incredible pandemic-related dip. That's because this retail-focused REIT actually has quite a stable business model. Despite the pandemic, SmartCentres's cash flow and net margins remained sturdy. This is mostly due to large blue-chip tenants at most of its locations.

SmartCentres has found a way to increase its earnings per share by a compounded annual rate of 25% over the past three years. That's pretty incredible, considering we're going back prior to the pandemic. For those worried about sustainability in this space, it's clear that SmartCentres is built to handle downturns.

Dream Industrial REIT

Dream Industrial REIT has been my top pick in the real estate investment trust space for years. That's mostly because I'm a big proponent of industrial real estate as a whole. You know, the warehousesand distribution centres that power the economy (and the high-growth e-commerce sector).

Sure, e-commerce stocks are getting hammered right now. However, activity in this sector continues to surge, and the long-term outlook for this space is solid. Dream Industrial has among the best real estate portfolios of its peers, holding a range of high-quality properties located close to city centres. Over the long term, I think this company is built for stability, and a 5% dividend yield to boot isn't shabby.

Granite REIT

Granite is a Canada-based REIT that owns, acquires, develops, and manages industrial, logistics and warehouse properties in Europe and North America. The company owns 134 investment properties, which represent a leasable area measuring roughly 55.9 million square feet. Thus, it's another great option in the industrial real estate space, alongside Dream.

Insider buying activity at Granite has been picking up. Indeed, this is a great sign, particularly for investors looking for a REIT to hold long term.

Granite has been buying properties consistently of late, recently acquiring nine properties in Europe, the U.S., and Canada, with a combined three million square feet added at a price of a little more than $510 million. With a high-quality management team and a clear path to growth, this REIT is an interesting option to consider right now.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:GRT.UN (Granite Real Estate Investment Trust)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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