
# Market Downturn: It's Time to Build a REIT Portfolio!

### Description

High inflation followed by central bank interest rate hikes to combat inflation and increasing labour costs are some factors that have triggered a stock market downturn. Even real estate investment trusts (REITs) that have persisted higher in most months after the pandemic market crash are experiencing selloffs. Now is a good time to build a diversified REIT portfolio.



Here is a basket of REITs from different industries that you can start researching, as the market downturn plays out.

## Granite REIT

**Granite REIT** (TSX:GRT.UN) stock has fallen approximately 20% from its 52-week high. The e-commerce trend isn't going away, and the REIT will benefit from it in the long run. At $84.78 per unit at writing, the industrial REIT offers a yield of almost 3.7%. Notably, it's a Canadian Dividend Aristocrat with a five-year dividend-growth rate of 4.4%.

Last year, the company increased revenues by 15.7% to $393.5 million and net operating income by 13.6% to $332.7 million. Its funds from operations (FFO) also rose by 11.5% to $251.3 million. But on a per-unit basis, its FFO dropped marginally by 1.3% to $3.93, resulting in an FFO payout ratio of 76%.

Granite REIT generates rental income from 122 properties. It also has 12 development properties or land for future growth. Importantly, the market supply appears to be tight as its portfolio across 55.9 million square feet is approximately 99.7% occupied. With a weighted average lease term of 5.8 years, its cash flow is set to be highly stable in the foreseeable future. If the monthly dividend stock falls to below $70, it'll become a bargain.

## Canadian Apartment Properties REIT

Residential REIT **Canadian Apartment Properties REIT** (TSX:CAR.UN) is already a bargain. According to the analyst consensus 12-month price target of $66.45 per unit displayed on Yahoo

Finance, CAPREIT trades at a substantial discount of 30%. Not too long ago, it traded 35% higher in the $62 range! At $46.39 per unit at writing, it also offers a decent yield of 3.1%.

Like Granite REIT, Canadian Apartment Properties REIT is also a Canadian Dividend Aristocrat. CAPREIT's five-year dividend-growth rate is 2.6%. The monthly dividend stock is oversold. From a fundamentals and technical standpoint, it has meaningful room for price appreciation. However, the market sentiment remains quite negative for the time being.

As residential real estate is a defensive asset class, CAPREIT's occupancy rate should stay high. Last year, its occupancy rate was about 98%.

## NorthWest Healthcare Properties REIT

To round up the group, I'm throwing in healthcare REIT **NorthWest Healthcare Properties REIT** ( TSX:NWH.UN). It has held up the best among the group, by falling only 13% from its 52-week high, although it looks like the market selloff isn't over yet. The REIT generates rental income from hospitals and healthcare facilities internationally, including in Canada, the U.S., Australia, New Zealand, the U.K., Germany, Brazil, etc.

NorthWest Healthcare Properties REIT is not a Canadian Dividend Aristocrat, but right off the bat, it yields 6.4%, which is much higher than the other two REITs. The healthcare REIT enjoys a super-long weighted average lease expiry of about 14 years across its 224 income-producing properties. It maintains a high occupancy rate of 97%. Analysts think 12-month upside potential of 22% is possible from the recent quotation of $12.50 per unit.



**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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kayng