2 Cheap Canadian REITs to Buy After Reporting Solid Earnings

Description

Real estate is an excellent industry to find high-quality investments. Residential real estate, specifically, is highly defensive and offers great long-term growth potential. Despite these qualities, though, many Canadian REITs have become cheap recently and offer investors an excellent opportunity to buy now.

With interest rates increasing rapidly and inflation impacting the operating costs of these REITs, it's certainly not smooth sailing. However, a lot of these stocks have sold off considerably as they've gotten caught up in the recent market volatility.

Because these companies do have defensive operations and are high-quality businesses, though, they are investments you can have confidence owning for the long haul. While they are cheap, Canadian REITs are certainly some of the best stocks to buy.

And of all the REITs which have sold off recently, here are two that are the most undervalued and look promising after recently posting solid earnings.

One of the best Canadian REITs to buy for growth

For years **InterRent REIT** (TSX:IIP.UN) has been one of the fastest-growing Canadian REITs. After the stock has pulled back significantly over the last few months, it's now one of the best Canadian REITs to buy.

In its first-quarter earnings report that the company released this week, InterRent reported 12.1% growth in same-property net operating income (SPNOI). That's extremely impressive and shows exactly why InterRent is one of the best Canadian REITs to buy for growth.

One of the most important factors investors are watching for, though, is how InterRent and its peers will deal with higher costs as a result of inflation. In the first quarter alone, InterRent's utility costs were up nearly 20% on a same-property basis.

However, management believes through strong cost controls and continued growth in its average monthly rent, it should be able to keep its margins strong and offset much of these increased costs.

So, with InterRent now trading more than 30% off its 52-week high and offering a yield of more than 2.7%, it's one of the best Canadian REITs to buy for the long haul.

A top residential REIT to buy for value investors

Another Canadian REIT that's trading cheap and worth considering for investors in this market environment is **Killam Apartment REIT** (TSX:KMP.UN).

Killam is trading close to 25% off its 52-week high and, at this price, provides a yield of roughly 3.9%. The REIT offers less growth potential than InterRent but a higher yield. It's also likely to be less volatile than InterRent, which is why it's another one of the best Canadian REITs to buy now.

In its first-quarter earnings report, Killam managed to earn SPNOI growth of 3.1%. That's significantly less than InterRent, again demonstrating InterRent's growth potential. Nevertheless, it's still a solid result for Killam, which also had to deal with significantly higher costs in the quarter.

So, right now, with the stock paying out just 80% of its adjusted funds from operations and trading at a price to 2022 estimated AFFO ratio of roughly 20 times, it's both one of the cheapest and safest stocks of its residential real estate peers.

If you're looking for some of the best Canadian REITs to buy now, Killam has shown it's certainly worth considering.

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