1 of the Best Canadian REITs Just Went on Sale!

Description

Dividend stocks have taken a one-two hit to the chin over the past year. Though they've held their own in the early innings of the tech-fueled market correction, they've finally shown signs of weakness. Undoubtedly, the bubbly parts of this market (most notably in high-multiple tech) have caused jitters to spread across other areas of the market, including those rich with value.

Indeed, a full-blown market crash could still be on the table, as the Fed tightens in a move to bring inflation back down. Though the Fed has no intention of 75 bps hikes in one go, the bond market seems to think otherwise.

Now, the bond market has been quite jittery, and the angst has spread to the stock market. With nothing but negative headlines and various pundits warning the worst has yet to come, it's not a mystery as to why nobody wants to be a contrarian anymore. Buying dips has been met with punishment. And retail investors are starting to run out of patience and liquidity.

Opportunity in the REIT space

The pain in the bond markets has spread to the REIT space, too. With high-quality REITs all on the retreat, including industrial property powerhouse **Granite REIT** (TSX:GRT.UN) slipping slightly.

While REITs are not free from risk (GRT.UN fell over 2% on Monday), the asset class will be less volatile than the indices or even crypto. Indeed, 2022 is a year where investors with the least losses come out on top! So, if you can take a 2% hit on a 5% down day for markets, you're faring better than most.

It's not just lower volatility that should have investors excited about REITs; their yields get bigger as shares fall. Unlike growth stocks, REITs have yields that swell on pullbacks. It's these yields that are so enticing and rewarding to long-term dip buyers.

Granite REIT: Worth buying on the dip

Granite is one of few industrial/warehouse REITs left in Canada. Undoubtedly, many Canadian industrial REITs have been acquired in recent years. After enduring a painful slide, shares of Granite boast a 3.7% yield. That's pretty high for a REIT that's on the right side of a strong secular trend.

At writing, Granite REIT fell into bear market territory, and it's unclear as to when the selling will end. Undoubtedly, the industrial REIT enjoyed plenty of capital gains over the years. It's arguable that it's more stock-like than REIT-like, given the company's knack for creating value via acquisitions.

The recent plunge may be a cause for concern for some. However, I view the dip as more of a buying opportunity. The economy could take a step or two back, but don't count on a distribution cut. Though Granite is exposed to cyclical firms — think auto parts — the REIT's distribution is more than safe, even if a recession is imminent.

The bottom line

REITs are feeling the pain these days, too. Investors can take advantage of the excessive selling by picking up shares of quality companies like Granite while they experience a rare pullback. Granite's distribution could test 4% if this selloff extends. In any case, investors should expect near-term pain, but for long-term gain — not just in terms of capital gains in a rebound, but a higher-than-average dividend yield.

CATEGORY

1. Investing

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1. TSX:GRT.UN (Granite Real Estate Investment Trust)

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