2 REITs That Are Being Unfairly Sold Off

Description

REITs (real estate investment trusts) have been taking a hit amid the latest round of selling. Indeed, it seems like everything (except for energy stocks) is falling by default these days. Buying the dip in high-multiple growth stocks has proven unrewarding thus far. It's hard to catch a falling knife, especially when there isn't a dividend to fall back on.

With the REITs, though, you're getting a nice distribution. If it isn't at risk of being cut, you'll get more yield when shares of such REITs retreat. More yield for your buck is always a good thing! Still, investors have to be careful, as not all REITs have funds from operations (FFOs) that are resilient enough in the face of a recession. Amid COVID, office real estate has taken a likely permanent hit to long-term demand. While offices could recover over the course of the next decade, it's looking highly unlikely that demand for office space will ever be the same, especially since we're technically still in a pandemic.

Add the U.S. Federal Reserve's hawkishness into the equation (higher rates don't bode well for REITs either), and it's a scary time to be an investor, regardless of what the asset class is.

Retail REITs and residential REITs look to be better ways to play the recent REIT retreat. In this piece, we'll have a look at two quality REITs that may have been oversold in the past few weeks. Their distribution yields are skewed on the higher end, with FFOs that should hold steady.

Consider **SmartCentres REIT** (TSX:SRU.UN) and **Canadian Apartment Properties REIT** (TSX:CAR.UN): two REITs that yield-hungry investors may wish to consider picking up now.

SmartCentres REIT

SmartCentres is a REIT behind the popular strip malls that you may be familiar with. Though retail real estate was stressed during the lockdowns of 2020, they've proved more resilient than anyone expected. SmartCentres is arguably one of the better retail REIT plays in Canada for its leases with high-quality tenants. Not to mention its **Walmart** anchor, which continues to draw in sizeable crowds. Smart gets an "A" grade for calibre of tenants, in my books. And that's a likely reason why the REIT was quicker than some peers to rebound from the 2020 crash.

Today, the REIT has slipped to $28 and change per share, bringing the yield up to 6.6%. That's a pretty rich yield on a dip that I view as overblown. We're not returning to lockdowns, and while a recession could weigh heavily on all assets, one must not discount Smart's defensive nature. Remember, Smart houses many essential retailers that were allowed to keep their doors open during the pandemic. These same essential retailers are also defensive in nature and will fare well in an economic downturn.

Canadian Apartment Properties REIT

CAPREIT recently sunk to a new 52-week low and is now down around 27% from the peak. The residential REIT, which owns properties in some of Canada's hottest housing markets, is now seeing its yield eclipse the 3.1% mark for the first time since the COVID crash.

For a REIT, a yield of about 3% may not seem like much. However, for a growth REIT, CAPREIT seems to be a compelling bargain. At $46 and change per share, CAPREIT looks like a great long-term value, but investors had better be prepared to average down, given shares have been very stock-like of late.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/08/14
Date Created
2022/05/13
Author
joefrenette