2 REITs Could Double Your Capital Within a Decade

Description

With the housing bubble slowly shrinking, and the Fed's responsive measures (i.e., raising the interest rates to rein in the housing market), you may see a shift in the real estate market. Assets might sit longer in the market, and the prices may lower, given enough time.

This is also expected to reflect in associated assets like REITs and some real estate companies. And if the rental income sees enough of a dip, the dividends of the affected REITs might suffer. But even if you are wary of the dividends, there are REITs worth looking into for their capital-appreciation potential. There are at least two that, if they keep up their growth pattern, might double your investment within a decade.

And both are available at a decent discount right now.

A residential REIT

Interrent REIT (TSX:IIP.UN) is currently a small-cap REIT with a market capitalization of about $1.8 billion. The market value has been slumping since Nov. 2021 and has dropped about 27%. The discount is evident in the current valuation as well, as the price-to-earnings ratio is just 5.34 right now.

It has also affected the yield, which has risen to 2.5% — not an impressive number for REITs per se but quite decent for this particular REIT.

However, despite being a residential REIT, its dividends are incredibly safe for numerous reasons. It's an aristocrat that has been growing. Its payouts are growing at quite a decent pace. And its payout ratio is abnormally low for a REIT — i.e., 13% — and it's no fluke if you consider its payout history.

But the dividends can be considered a bonus, as the primary reason to consider this REIT would be its growth potential. Even at its discounted price, the REIT's 10-year price returns are over 200%. So, it might double your investment in a decade, even if it underperforms by a significant margin.

A commercial REIT

When it comes to growth, one of the first REITs that come to mind is **Granite REIT** (TSX:GRT.UN). With an international portfolio of light industrial assets, and the bulk of its revenue coming from e-commerce-related properties, Granite seems well positioned to grow for the next decade or so. Another endorsement in Granite's favour is its attractive valuation and price discount.

The price-to-earnings ratio is at 4.29 — one of the lowest in the real estate sector right now. The price discount is not much at 16%, but it *has* pushed the yield to a relatively juicy 3.5%.

Granite's 10-year returns are lower than Interrent but still enough to double your capital in less than a decade — that is, *if* the REIT replicates its historical performance and returns 150% in the next 10 years, as it did in the last decade.

Foolish takeaway

Real estate investing in Canada, whether you opt for actual properties (rental, in most cases) or REITs, is usually done for the purpose of producing regular passive income. And the two REITs are viable buys in this regard as well, because even though the yields are relatively low, both are aristocrats and likely to raise dividends for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GRT.UN (Granite Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent 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. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/06/29
Date Created
2022/05/16
Author
adamothman