Passive Real Estate Investing in 3 Big Canadian REITs

Description

The **iShares S&P/TSX Capped REIT Index ETF** under the ticker symbol TSX:XRE brings our attention to three big Canadian real estate investment trusts (REITs) for passive real estate investing. Essentially, investors can buy REIT stocks and sit on the units for passive monthly income generation. If you buy the REITs at reasonable or cheap valuations, you'll have a good chance of experiencing long-term price appreciation as well.

XRE's three largest holdings are **Canadian Apartment Properties REIT** (TSX:CAR.UN), or CAPREIT, **RioCan REIT** (TSX:REI.UN), and **Granite REIT** (TSX:GRT.UN).

Passive real estate investing in Canadian Apartment Properties REIT

Rental properties are expensive, even with the help of a mortgage, especially now that interest rates have started rising. Investors who don't want big debt weighing on their backs can leave the debt management to the professionals at CAPREIT. Simply consider buying Canadian Apartment Properties REIT stock on the cheap. The monthly dividend stock has corrected about 23% from its 52-week high.

CAPREIT is Canada's largest publicly traded provider of quality rental housing. Its market cap is about $8.5 billion. It reduces risk by investing in properties across the spectrum of affordable, mid-tier, and luxury. Its core portfolio is diversified across Canada. It's also invested in Europe (the Netherlands, Germany, and Belgium). Specifically, its European portfolio makes up about 14% of its net rental income.

At $48.24 per unit at writing, the stock yields approximately 3%. Analysts also think the stable REIT is meaningfully undervalued by 27%. Last month, Scotia Capital rated the stock as "sector outperform." Next, let's go to a REIT in a different industry.

RioCan REIT

RioCan REIT is a retail REIT that’s working on intensification opportunities. Its market cap is approximately $6.8 billion. On May 9, the company reported its first-quarter (Q1) results, which saw improvements. Here are some highlights versus Q1 2021:

- Funds from operations (FFO) growth of 23% to $130.6 million
- FFO per unit growth of 27% to $0.42, thanks partly to a 2.4% reduction in its outstanding units
- Committed occupancy improved by 1.2% to 97.0%
- Same-property net operating income increased by 4.1%

During the quarter, RioCan REIT completed 145,000 square feet of development. Additionally, it has 2.2 million of square feet under active development.

The retail REIT is expected return to FFO-per-unit growth this year, which supports its cash distribution growth of 6.25% in February. Its FFO payout ratio should be sustainable at about 60% this year. RioCan stock yields a solid 4.6% at roughly $22 per unit. Analysts think the REIT is undervalued by approximately 16%.

Finally, here’s an industrial REIT that should continue to benefit from the e-commerce trend.

Granite REIT

Granite REIT consists of 137 investment properties, including 124 income-producing properties and 13 development properties or land. It enjoys a high occupancy rate of about 99.7%, which signifies the strong demand for its offerings. Combined with a weighted average lease term of 5.8 years, it’s able to generate stable cash flows. This stability is evident from its track record of cash distribution growth that has been ongoing for over a decade.

At $88.43 per unit at writing, Granite REIT yields 3.5%. According to **Thomson Reuters**, the REIT is undervalued by about 20%. Its 2022 payout ratio is estimated to be about 71%, which is sufficient to support its cash distribution.

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:REI.UN (RioCan Real Estate Investment Trust)

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