
2 Quality Canadian Real Estate Plays to Buy Now While Their Yields Are Hot

### Description

REIT investors have a lot of options after the recent slide in the broader markets. While the REIT market doesn't tend to be so influenced by the stock and bond markets, recent market panic is a major contributor to sudden declines.



Undoubtedly, Canadian investors are worried that central banks could rate hike us all the way into a recession. Higher rates and a slower economy do not bode well for the fate of REITs. Regardless, I think the REITs are among the best plays to buy when there's too much panic in the markets. If you bought your favourite REITs on the dip during the 2020 stock market crash, you likely locked in a swollen distribution yield, assuming no cuts were dealt out.

This time around, distributions aren't in as much trouble as they were when lockdowns loomed in early 2020. Though a recession and rapidly rising rates could challenge the adjusted funds from operations (AFFOs) of certain REITs, I think that a majority of fallen real estate darlings are more resilient than meets the eye.

Without further ado, we'll have a closer look at **Killam Apartment REIT** (TSX:KMP.UN) and **SmartCentres REIT** (TSX:SRU.UN), two very high-quality REITs that seem oversold, down 19% and 12%, respectively, off their 52-week highs.

## Killam Apartment REIT

Killam Apartment REIT is a multi-residential property and manufactured housing community (MHC) play with most of its operations concentrated in Atlantic Canada. Shares of the intriguing REIT were quick to fall into a bear market over the past several months on the back of broader market weakness. Shares currently yield a modest 3.66% at writing after plunging nearly 18% year to date.

Recently, the REIT reported decent first-quarter results that continued to demonstrate tremendous resilience. Occupancy remained high at 98%, which is the highest it’s been in the post-pandemic period. The management team also sounded upbeat, noting that leasing volume is likely to continue to remain robust moving forward.

With a solid balance sheet, expect Killam to get active on the acquisition front again. Over the years, Killam has unlocked ample value via M&A. However, higher rates could weigh on the number of acquisitions on a longer-term basis. Still, as valuations across the space decline, one has to think that management is keeping an eye open.

Indeed, Killam isn’t doing nearly as bad as the share price movements would suggest. I view the top REIT as a magnificent buy on the dip for those seeking the perfect mix of income and long-term appreciation.

## SmartCentres REIT

SmartCentres is a stripmall kingpin that has ambitious plans of diversifying into residentials. Undoubtedly, mixing residential and retail real estate can be a highly profitable endeavour. Like Killam, Smart shares were quick to drop, and the yield has swollen accordingly, currently at 6.25%.



As I’ve noted in prior pieces, SmartCentres houses many essential retailers that will be less rattled if the broader economy were to plunge into a recession. Still, I don’t think a recession is at all likely. At least not in Canada. The Canadian economy looks like it can stomach rapid-fire rate hikes from a hawkish Bank of Canada and still experience robust growth. That bodes well for fallen retail REITs like Smart, as it looks to continue investing in residential efforts.

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