2 Canadian REITs to Buy Before They Recover

Description

Canadian REITs (real estate investment trusts) are a less-volatile way to ride out these rough market waters, but of late, they've been feeling the shockwaves brought forth by the collapse of many high-multiple growth stocks.

Call it the dot-com bust 2.0, if you will. In any case, many REITs seem to be pricing in the worst. While a recession and stagflation are both scary situations that we could be in for as we inch closer to 2023, I'd argue that the fear is overblown when it comes to Steady Eddie stocks and REITs, many of which may not have to suffer from too much damage as economic conditions weaken.

It'll take a severe economic downturn to pressure the funds from operations (FFOs) of the many top Canadian REITs. And just as quickly as many recovered from the 2020 coronavirus stock market crash, I think many could be in for the same once the prominent headwinds come to pass.

Indeed, it's worrisome when there are storm clouds on the horizon, with some already passing over us. However, it's worth remembering that storm clouds do not necessarily mean it's going to start to rain or hail. Indeed, if the winds blow in the right direction, storm clouds could pass, and sunnier days could lie on the other side!

REITs: A safe-ish place to hide from market turbulence

There's a lot of bad news baked into securities these days. And while it's difficult to tell what the outcome will be of crises such as the pandemic or Russia's invasion of Ukraine, I still think a balanced, disciplined approach is the best way to cope with volatility.

REITs haven't been this volatile in quite a while. Still, their distributions can help investors take a punch from Mr. Market. **Granite REIT** (TSX:GRT.UN) and **CT REIT** (TSX:CRT.UN) are just two cheap REITs that could recover if the macro storm clouds don't actually result in any horrific weather.

Granite REIT

Granite REIT briefly flirted with a bear market (20% fall) before bouncing back modestly to around $91 per share. The industrial and warehouse property play is a rare breed on the TSX Index. As you may know, a lot of Canadian industrial REITs were acquired by U.S. firms over the past few years. Despite being worthy of a rich scarcity premium, Granite remains one of the cheapest REITs out there today after its recent slip.

At writing, the $6 billion REIT trades at a ridiculously low 3.8 times trailing earnings. With a 3.41% dividend yield and a long-term plan to grow via M&A and other efforts, I don't think shares of GRT.UN will be held down for too long. Its principal tenant is a behemoth that's cash rich and will not miss a month's rent, even if the economy plunges into a recession.

CT REIT

CT REIT is another quality property play that houses a primary tenant that's more than capable of paying the bills when times get tough. The REIT is currently off less than 6% from its peak. Indeed, investors appreciate the REIT's resilience through the worst of the COVID pandemic.

Though shares of the $1.86 billion REIT are pricier at over 25 times trailing earnings, I'd argue that the stable income (4.86% yield) and recession resilience are key reasons to look to the security if you expect turbulent times ahead. Indeed, top-level employees have been eating their own cooking, with some insiders adding to their stakes amid the recent slip in the share price.

CATEGORY

1. Investing

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

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