



## CAPREIT: 1 of the Best REITs to Buy Today!

### Description

The REIT (real estate investment trust) has not been the best place to hide from broader market volatility. Still, the recent slip across many of the trusted high-yielding property plays ought to be seen as more of a buy signal than a sign that it's time to get out and rush to cash or cash equivalents.

While there's still value in holding sums of cash, one needs to remember that inflation is always working against them. There's a penalty for holding too much cash. And that penalty is the loss of around 6-7% of one's purchasing power per year. Inflation is an insidious beast. And it could take yet another year to put the inflation "genie" back in the bottle. As you may know, it's hard to convince a genie to return to his bottle, where he can lay dormant for decades at a time. Central banks could have their hands full.

Undoubtedly, the emergence of high inflation is a bit of a shocker for everyone, given how tame and low inflation has been for the past few decades. The sticker shock at the retail store is not pleasant, and it hurts everybody.

There are ways to insulate against inflation. REITs, I believe, are one of the best asset classes to be, as some look to touch down with 52-week lows. Not all REITs deserve to take a hit to the chin, given the resilience of their cash flows. However, we've likely reached a tipping point, where it's the deteriorating economic conditions that are dictating the price of securities across the board.

## Buying REITs on the latest market selloff

There's one major perk of buying REITs over lower-yielding stocks or non-dividend-paying growth stocks. REITs with sizeable distributions tend to see their yields climb at a quicker rate, as their share prices fall. If you buy a REIT on the dip, you can get a lot more yield. Of course, you need to make sure that a REIT isn't going to cut its distribution in response to a fading of the economy.

Some REITs don't suffer from the same magnitude of climbing vacancy rates and rent delinquencies. If a coming recession is mild, there may be nothing to fear with the REITs other than fear itself. And it's the brave REIT investors who will get the most of the high yields to be had in certain names. Indeed,

it's the draw of higher yields that helps REITs hold their own better than most other securities, even in the face of higher interest rates and an economic contraction.

In this piece, we'll examine one top REIT with a sizeable yield that investors may wish to consider averaging into now and over the next few months. Consider **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) or CAPREIT, for short.

## Canadian Apartment Properties REIT

CAPREIT is a \$8.5 billion residential REIT that's seen its shares take a beating in recent quarters. Shares fell around 25% from peak to trough, flirting with the prices not seen since 2020. Undoubtedly, CAPREIT held its own during the early part of the pandemic. Though sentiment has faded, expanding the yield to 3% (that's good for a growth REIT), the long-term fundamentals still look as attractive as ever.

For those unfamiliar with CAPREIT, it's a residential behemoth, with townhomes, MHCs (manufactured housing communities), and, of course, apartments. The REIT owns some prime real estate in some of the hottest markets in Canada. With inflation on the rise, CAPREIT will be able to hike rents gradually over time. Demand is still red hot in many of its markets of operation.

Occupancy rates came in at 98% in the first quarter of this year. While rents in various Canadian cities (think Vancouver) remain sky high, demand is likely to remain robust, and occupancy rates should hold steady, as the economy enters a rough patch. For these reasons, CAPREIT is a quality growth REIT that's hard to pass up after a brutal fall into a [bear market](#).

CAPREIT isn't just one of the largest residential REITs; it's one of the highest quality. In due time, I expect Mr. Market to reward shares with a more premium multiple than currently being commanded.

### CATEGORY

1. Investing

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