Retirees: 2 Must-Buy REITs That Tanked Over 6% on Thursday

Description

Canadian REITs (real estate investment trusts) got walloped on Thursday, with your average play falling nearly 5%. That's a severe decline, especially for an asset class that's supposed to be less correlated to the broader equity markets.

For many retirees and conservative investors, the REIT plunge was devastating. However, for those with enough cash to take advantage of the lower prices and higher yields, I would not hesitate to start doing some buying right here, even as markets grow more unsettled over high inflation (8.6% in the United States) and the latest round of rate hikes (a massive 75 bps — the largest hike in decades).

It's an ugly situation to be in for investors, with the last places to hide (from REITs to **Bitcoin** and even energy stocks) crumbling like a paper bag. While it's tempting to do some selling, I'd urge investors to take a longer-term approach. At the end of the day, long-term investors will arise from the rubble, perhaps with a few bargains in hand for those willing to hold their nose.

After such a big down day for the REITs, I'd encourage those who don't buy the recession fears to do a little buying. In this piece, we'll have a closer look at two high-yielding plays in the REIT space that I would not hesitate to pick up while there's still fear in the air on Bay Street.

Boardwalk REIT: Down 7% in a day

Boardwalk REIT (TSX:BEI.UN) fell just north of 7% on Thursday in the REIT bloodbath. The $2 billion residential REIT, which specializes in apartment buildings across various provinces, now finds itself down around 32% from its all-time highs just north of $60 per share.

Undoubtedly, higher rates and recession risks are not good news for a REIT that has a considerable sum of debt on the balance sheet. Inflation could also continue to weigh heavily. Still, it's respectable that margins have held up thus far. Indeed, it was a nasty day for all REITs, and though shares are back on the descent, the recent occupancy rates don't act as a screaming sell signal — at least not yet.

In the face of recession, Boardwalk may have to take a step back before it can move forward again.

Still, I'd argue there are reasons to give the ailing, growthy REIT the benefit of the doubt. The yield is meagre at 2.6%. However, the 3.9 times trailing earnings multiple screams value for those seeking big total returns.

H&R REIT: Down 6% in a day

H&R REIT (TSX:HR.UN) is another great REIT that probably fell a lot more than it should have in a gloomy day on Wall and Bay Street. Indeed, it's easy to imagine that many investors are still upset over the distribution cut made nearly two years ago. Recent spin-offs and non-core asset sales have also come at a suspect time. Undoubtedly, H&R may have gotten a better bang for its buck had it gone through with such sales before the pandemic.

In any case, H&R seems to have lost its way, with shares down 27% over the past year. Amid the decline, shares have become one of the cheapest real estate plays out there at less than 2.5 times earnings. H&R may be under pressure, but does it deserve a round-trip ticket back to those single-digit 2020 lows? Probably not.

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