
The 2 Best Real Estate Stocks to Buy for Steady Monthly Dividends

### Description

It has not been a pretty month for real estate stocks in Canada. Fears about inflation and rising interest rates are starting to put pressure on property valuations. Typically, as interest rates rise, property valuations decline. As the cost to finance properties increase (rising interest rates), projected cash flow returns generally decrease as well.



However, these negative headwinds are very sector and stock specific. Inflation is soaring and that is often beneficial for strong rental rate growth in certain assets. Real estate profitability can drastically vary by location, asset class, and business balance sheet.

## Time to pick up some bargains in real estate stocks

Inflation is soaring and that is often beneficial for strong rental rate growth in certain property assets. Given this, the recent decline in real estate stocks could be an excellent opportunity for long-term investors. Many great asset managers (like **Brookfield** and **Blackstone**) have made significant profits by buying real estate and real assets on major economic corrections.

Now, you can, too. Dividend yields are historically elevated and stocks are cheap. Investors can profit by upgrading to the highest quality property portfolios. Here are two cheap real estate stocks to buy in the downturn.

## A top industrial real estate stock

**Granite Real Estate Investment Trust** (TSX:GRT.UN) is about as defensive as you can get when it comes to real estate stocks. It is the largest industrial REIT in Canada. It owns huge logistics, warehousing, and manufacturing properties across North America and Europe. These are leased to investment-grade tenants on long-term leases. Its average lease term is 5.8 years.

Strong industrial demand continues to drive double-digit rent growth. That has supported strong high-single digit cash flow per unit growth over the past few years.

Granite has a fortress-like balance sheet with low leverage, long-dated debt maturities, and ample liquidity. This real estate stock is down 25% in 2022.

It pays a $0.2583 distribution per unit every month. At $78 per unit, it is yielding close to 4% on cost. This real estate stock is cheap compared to peers and looks like a great way to swipe up a solid, elevated dividend yield.

## A top residential REIT

Another stock that is looking very attractive for income, growth, and value is **European Residential REIT** (TSX:ERE.UN). While it is listed on the TSX, this real estate stock is one of the largest residential landlords in the Netherlands.

Residential demand is very high, and vacancy is very low due to fast population growth and limited new housing supply. Consequently, European Residential earns very consistent and reliable rental revenues.

Most costs are the responsibility of tenants, so it earns high margin cash flows on these rents. Likewise, it can index rents to inflation annually, so it should enjoy attractive rental rate growth.



Like Granite, this real estate stock has a great balance sheet and significant financial flexibility. It pays a $0.0133 distribution per unit every month. After a recent 20% decline, it trades with an attractive 4% yield. That is one of the highest yields among residential REITs that you will find.

Overall, this real estate stock has fundamentals that are superior to most of its peers. Yet it trades at a massive discount. That disconnect make it an incredibly attractive stock to buy today.

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