Real Estate Falling: 2 Dropping REITs to Buy Soon

Description

The slowdown in Canada's real estate industry has not let up. June saw a decline in the number of homes sold in Toronto and Vancouver by over a third, and average home prices have been decreasing for several months. The record-low interest rates amid the pandemic caused an unexpected boom in the Canadian real estate sector.

However, the onset of interest rate hikes by the Bank of Canada (BoC) in March 2022 caused the trend to decline. The number of new listings and home sales decreased, as borrowing money started becoming more expensive for potential homeowners.

Many Canadians buying homes as investment properties might no longer find it as feasible an approach to investing in real estate. The cash outlay is too high, and the overall cost has gone up due to mortgage rates.

However, it is still possible to take advantage of the real estate sector as an investor. Real estate investment trusts (REITs) can be excellent alternatives to buying investment properties. Today's article will discuss two REITs you can consider adding to your portfolio to create a passive-income stream and enjoy long-term wealth growth through capital gains.

InterRent REIT

InterRent REIT (TSX:IIP.UN) is a $1.71 billion market capitalization REIT that focuses primarily on investing in and operating multi-residential properties in Canada. The company generates revenue through rent from tenants under leases, parking, laundry, and other ancillary services.

The company's performance in recent quarters has been good. It boasted an occupancy rate of 95.5% in the first quarter of fiscal 2022, up from 91.3% in the same period last year.

InterRent REIT trades for $11.99 per unit at writing, and it boasts a 2.87% forward annual dividend yield. Analysts indicate a 12-month price consensus target of $18.15, making it attractively priced at current levels. You can consider adding it to your portfolio to earn rental-like income through its monthly shareholder distributions and enjoy capital gains when it recovers.

Dream Industrial REIT

Dream Industrial REIT (TSX:DIR.UN) is a $3.09 billion market capitalization REIT that invests primarily in industrial properties. The company has been generating significant revenues due to the increasing demand for industrial properties. Its organic growth due to market-to-market rents and its improving occupancy rates have made its operations more profitable.

Dream Industrial REIT trades for $12.13 per unit at writing, and it boasts a juicy 5.82% forward annual dividend yield. Analysts have a 12-month consensus price target of $18.44 for Dream Industrial REIT, reflecting the potential for significant upside over the course of the year. It could be another addition to your portfolio for monthly shareholder distributions and capital gains.

Foolish takeaway

Higher interest rates have triggered a correction in broader equity markets. The real estate industry has also seen a decline in activity. With inflation still running hot, the BoC is likely to introduce several more interest rate hikes.

Buying homes as investment properties to earn passive income might not be feasible. However, investing in high-quality REITs could provide you with a good alternative. Consider adding Dream Industrial REIT and InterRent REIT if you want to gain exposure to the real estate sector without the hassles of being a landlord.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/01
Date Created
2022/07/12
Author
adamothman