3 Undervalued REITs Yielding Over 5%

Description

Real estate investment trusts (REITs) are popular with income investors and are the next-best alternatives to direct ownership. Because REITs are yield-based securities, a mock landlord in prime properties earn passive income from dividend payments.

Canada has an array of REITs in various sub-sectors of the real estate industry. On the TSX, REITs trade like regular stocks that you can buy and sell. However, rising interest rates have become headwinds for these large property owners. The sensitivity of REITs to tightening monetary policies are evident in 2022.

The real estate sector where REITs belong are down 22.27% year to date. Three top REITs are undervalued and trades at $20 or below, despite decent net incomes. If you're chasing after dividends, the yields of **RioCan** (TSX:REI.UN), **Crombie** (TSX:CRR.UN), and **Dream Office** (TSX:D.UN) are over 5%.

Compelling growth prospects

RioCan had a strong first quarter of 2022 due to the growth in its key metrics. The $6.21 billion REIT used to focus on retail properties but is now increasing its mixed-use property portfolio. In the three months ended March 2022, NOI and net income increased 1.4% and 50%, respectively, versus Q1 2021.

Its president and CEO, Jonathan Gitlin, said, "We continued to advance our strategic objectives from a position of strength, driven by the quality of our portfolio, resilience of our tenants, and capacity to execute our growth initiatives. In any environment, our portfolio, business, and team remain well-positioned to drive performance, overcome challenges and emerge even stronger."

According to management, it will focus on the long term amid the rapidly changing market conditions. RioCan has a high-quality portfolio, robust development pipeline, and compelling growth prospects. The share price is $20.04 (-10.71% year to date), while the dividend yield is 5.05%.

Resilient portfolio

Empire Company is a prominent shareholder in Crombie. The giant food retailer has a 41.5% ownership stake in the $2.82 billion REIT. Current investors are down 11.99% year to date ($15.97 per share) but enjoys a juicy 5.49% dividend.

The portfolio consists mostly of grocery-anchored real estate. However, management's ongoing strategy is to make new investments in strategic and complementary retail-related industrial and mixed-use residential properties. In Q1 2022, Crombie's property revenue increased 1.4% versus Q1 2021, while net property income dropped slightly by 1.1%.

Don Clow, Crombie's president and CEO, said, "We are well positioned to continue executing our strategy and creating long-term value for our stakeholders." Investments in Empire-related initiatives will likewise increase.

Strong tailwind

Dream Office suffered tremendously from the shift to work-from-home environment during the pandemic. But in Q1 2022, management reported a 415.3% year-over-year increase in net income to $52.28 million. This $915.21 million REIT owns and operates 29 office properties.

Its CEO, Michael Cooper, said, "Our business has continued to navigate through uncertainties in the economy and recovery from the pandemic with resilience." The return of employees to the traditional face-to-face setup is a strong tailwind for Dream Office. At $19.29 per share (-20.1% year to date), the dividend offer is 5.18%.

Threat to REITs

The era of high interest rate might not be good for REITs, because they have to pay higher financing costs to pursue growth initiatives. However, Nareit, the voice of REITs worldwide, said the asset class has outperformed during periods of above-average inflation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:D.UN (Dream Office Real Estate Investment Trust)
3. TSX:REI.UN (RioCan 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. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/06/30
Date Created
2022/07/14
Author
cliew