2 Smart Real Estate Stocks to Buy Right Now

Description

The continued underperformance of the real estate sector reflects the impact of rising interest rates. Real estate investment trusts (REITs) belong to the sector and are in negative territory, too. However, income investors can mitigate the risks and choose REITs that can endure the downturn.

Summit Industrial (TSX:SMU.UN) and **Dream Office** (TSX:D.UN) are smart real estate stocks to buy right now. The recent quarterly results are compelling reasons to pick either one over other REITs. Their dividend yields are also attractive if you're looking for recurring passive-income streams to cope with rising inflation.

Solid fundamentals

Summit Industrial owns and manages a portfolio of light industrial properties (60) in Canada. According to management, it will capitalize on the REIT's solid fundamentals to achieve a record property performance in 2022. In the second quarter (Q2) 2022, revenue and net rental income increased by an identical 13.8% versus Q2 2021.

Its chief executive officer (CEO) Paul Dykeman said, "Revenue continued to increase in the second quarter, driven by portfolio growth, occupancy rising to near-full levels, and significant rental rate increases on renewals." On the operations side, same property net operating income and funds from operations grew by 7.7% and 39% year over year.

Notably, the occupancy rate was a high of 99.1%, while the average lease term stands at 5.5 years. Dykeman added, "Looking ahead, demand remains exceptionally strong in all of our target markets with record low availability rates and significant market rent increases."

Summit has a lower risk profile because the light industrial sector has stable fundamentals. Moreover, the properties are highly marketable due to the multi-use spaces. They are ideal for tenants with warehousing and storage needs. Other lessees can set up light assembly and shipping plants or call centres and professional services.

If you invest today, a share of $3.66 billion REIT costs $19.30. The dividend yield is a decent 3.01%.

Recovery mode

Dream Office is on recovery mode from COVID lockdowns and shift to work-from-home environment due to the global pandemic. This $938.35 million REIT is a premier office landlord in downtown Toronto (28 active properties). It also has an ownership stake in **Dream Industrial**, a REIT with a high-quality logistics portfolio.

However, total portfolio in-place occupancy declined to 81.6% from 83.9% in the same quarter last year. Management said it has secured commitments for 90% of full-year 2022 natural leases expiries. It added that the successful redevelopment program that began in 2020 has significantly increased the value of the assets and delivered significant incremental income.

Michael Cooper, CEO of Dream Office, said, “Despite recent uncertainties with cost inflations and rising interest rates, we believe Dream Office REIT is well positioned to manage these economic challenges and deliver great long-term value to its unitholders.” At only $19.95 per share, you can partake of the 5.01% dividend.

Market correction

Homebuyers and real estate investors are staying on the sidelines and holding off purchases because the housing market is contracting. Prices are falling due to the impact of rising interest rates. If you want exposure to the real estate sector, REITs are alternative options to direct ownership. The dividends from Summit Industrial and Dream Office can take the place of rental income.

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