



Real Estate Stocks: 2 of the Best Subsectors to Buy REITs

Description

When analyzing the markets and looking at all the stocks that have sold off this year, it quickly becomes apparent that the real estate sector offers some of the best [value](#). However, while real estate stocks are some of the best to buy now, and there are several attractive real estate investment trusts (REITs) to consider, some sectors are certainly better investments than others.

For example, many retail REITs are under pressure, as e-commerce consistently gains more popularity. From 2014 until 2021, worldwide retail e-commerce sales grew by 270% from \$1.34 billion to \$4.94 billion. Furthermore, sales are expected to increase by another 50% over the next four years.

Another subsector that hasn't fared well and now faces additional headwinds is REITs that own office space. Although some companies are returning to the office, others are still giving their workers a choice, and, unsurprisingly, most are electing to stay home.

But while there are certainly subsectors with more uncertainty, others are pretty defensive, and the fundamentals show that they are some of the best subsectors to buy stocks today.

If you're looking to gain more exposure to [real estate](#), especially while these stocks offer attractive value, here are two top subsectors to find the best REITs to buy.

Residential real estate has some of the best REITs to buy

Residential real estate has some of the best and most defensive assets to gain exposure to, especially in this environment.

Everyone needs somewhere to live. Therefore, when these REITs pull back, it creates excellent opportunities for long-term investors to start or increase their positions.

Plus, with many different residential real estate stocks to choose from, there are tonnes of other REITs you can buy that offer exposure to different regions and countries.

This is crucial, because as [interest rates](#) have been rising, they've certainly been cooling off the housing market, particularly in Canada. This and rising operating costs are the main reasons why many residential REITs have lost so much value this year.

But because there are some REITs that also offer exposure to U.S. housing, there are plenty of opportunities for investors to find the best real estate stocks to buy now.

For example, **Morguard North American Residential REIT** has over 60% of its portfolio invested in residential real estate assets south of the border.

Therefore, if you're looking to buy real estate stocks for your portfolio, residential REITs, especially high-quality portfolios like Morguard, are some of the best REITs to buy now.

Some top real estate stocks to buy and hold for the long haul are industrial REITs

Industrial real estate is another industry with strong fundamentals that you can find great deals in today.

Retail real estate was under pressure even before the pandemic began. On the flip side, warehouse space is something that's always in demand, and, in fact, as e-commerce continues to become more popular, the demand for warehouse space is consistently outpacing the new supply that's coming to market.

Improved logistics and faster shipping times are making e-commerce more popular, and more traditional retailers are embracing it every day. And as some brick-and-mortar locations slowly start to close, these companies need additional space to store their products.

Therefore, industrial REITs, particularly with a reliable and diversified tenant base, are some of the best real estate stocks that you can buy now.

One example is **Granite REIT** ([TSX:GRT.UN](#))([NYSE:GRP.U](#)). The stock owns a massive portfolio of industrial real estate assets. Furthermore, it's well diversified with properties located in Canada, the U.S., Austria, Germany, and the Netherlands.

To get an idea of just how much demand there is for these assets, the REIT's occupancy rate hasn't been below 97% since 2015. Furthermore, it's achieved positive same-property [net operating income](#) growth for over 15 straight quarters.

Plus, Granite also has a tonne of developments in the pipeline. In addition, it offers an exceptional distribution that, thanks to its recent selloff, has seen its yield climb to roughly 4%.

Therefore, if you're looking to invest in real estate stocks and find the best REITs to buy that you can own for years, Granite and the entire industrial real estate subsector offer terrific value for investors.

CATEGORY

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