3 Dirt-Cheap REITs to Buy Now

Description

The Canadian real estate market is facing a major challenge, as the Bank of Canada (BoC) presses forward with its rate-tightening policy. This policy appeared to bear fruit in August, as the inflation rate cooled to 7%. However, that will not be enough to halt the tightening path in the near term. This means that more pain is in store for the Canada housing space. That does not mean investors should shun Canadian real estate investment trusts (REITs). Back in June 2022, **Canadian Imperial Bank of Commerce** released a report that predicted most Canadian REITs would not feel the pinch of rising interest rates until 2025.

Today, I want to zero in on three REITs that are trading in discounted territory in late September. Let's jump in.

This REIT is worth snatching up, as employees steadily return to the office

Dream Office REIT (TSX:D.UN) is a Toronto-based REIT that owns and operates office properties across Canada. However, most of its properties are located at downtown Toronto. Shares of this REIT have dropped 28% in 2022 as of close on September 20. That has pushed the stock into negative territory in the year-over-year period.

This company released its second-quarter fiscal 2022 earnings on August 4. Funds from operations per unit remained flat at $0.38 in the quarter. This REIT currently possesses a very favourable price-to-earnings (P/E) ratio of four. Meanwhile, it offers a monthly dividend of $0.083 per share. That represents a strong 5.7% yield.

Why I'm not sleeping on this under-the-radar option

Canadian Apartment REIT (TSX:CAR.UN) is another Toronto-based REIT that is one of the largest in the country. It owns or has interests in more than 65,000 apartments, townhomes, and manufactured housing units across Canada and in Europe. This REIT has dropped 28% so far in 2022. The stock is down 31% year over year.

Investors got to see the company's second-quarter fiscal 2022 results on August 10. Overall portfolio occupancy rose to 98.2% in the first six months of fiscal 2022 — up from 97.2% in the previous year. Meanwhile, normalized funds from operations (FFOs) climbed to $200 million compared to $196 million in the year-to-date period in fiscal 2021.

Shares of this REIT last had an attractive P/E ratio of 11. It offers a monthly distribution of $0.121 per share, which represents a 3.4% yield.

One more high-yield REIT I'd target today

Allied Properties REIT (TSX:AP.UN) is the third undervalued REIT I'd look to snatch up in late September. This Toronto-based REIT owns, manages, and develops urban workspace in Canada's major metropolitan areas as well as network-dense urban data centres in Toronto. Its shares have plunged 34% in the year-to-date period.

This company unveiled its second-quarter fiscal 2022 earnings on July 27. Its total assets increased 19% year over year to $11.6 billion. EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This REIT posted annualized adjusted EBITDA of $404 million in the second quarter of 2022 — up 10% from the prior year.

Allied Properties currently possesses a very attractive P/E ratio of 6.9. Better yet, it offers a monthly dividend of $0.146 per share. That represents a strong 5.9% yield.

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