Property Investors: Re-Enter the Market Through 3 REITs for Durable Cash Flows

Description

Property investors have disengaged from the real estate market in recent months due to unstable market conditions. Homebuyers are likewise on the sidelines because of rising borrowing costs. Furthermore, housing activity declined for the sixth consecutive month in August 2022. Investors and buyers alike are waiting for prices to stabilize and want more clarity on interest rates.

Nonetheless, despite potentially two more rate hikes before year-end, investors can re-enter the real estate market without direct ownership. Selected Canadian real estate investment trusts (REITs) offer great value, stability, and attractive dividends.

Residential

Minto Apartment (TSX:MI.UN) reported increasing occupancy this year and maintains a very strong business outlook. The $514 million REIT owns, develops, and operates income-producing multi-residential properties in Canada's urban markets.

Net operating income (NOI) in the first half of 2022 increased 10.1% to $40.62 million versus the same period in 2021. Net income reached $218.7 million compared to a net loss of $11.7 million a year ago. Also, portfolio occupancy rose to 94.51% from 91.18% in the comparable periods.

Michael Waters, Minto's chief executive officer (CEO), said, "Rising interest rates have increased the cost of home ownership and further widened the affordability gap between owning and renting a home, making renting an increasingly attractive option." This REIT currently trades at $12.83 per share and pays a 3.61% dividend.

Retail

Slate Grocery (TSX:SGR.U) is appealing because of the defensive and resilient nature of the business. The $573.98 million REIT owns and operates grocery-anchored real estate (108 properties) in major U.S. metro markets. Anchor tenants include **Costco**, **Kroger**, **Target**, and **Walmart**.

In the second quarter (Q2) 2022, rental revenue and NOI increased 18.2% and 37% year over year to $33.37 million and 32.9 million, respectively. Net income for the quarter was $59.38 million versus the $3.14 net loss in Q2 2021. The recent acquisition of a grocery-anchored real estate portfolio in the rapidly growing Sunbelt Region of the U.S. is welcome news to investors.

Slate Grocery also formed a joint venture with Slate North American Essential Real Estate Income Fund. Its CEO Blair Welch said the exciting milestones significantly increased the REIT's exposure to high-quality grocery-anchored real estate in some of the fastest-growing markets. At only $9.68 per share, the dividend yield is a super-high 8.73%.

Industrial

Nexus Industrial (TSX:NXR.UN) owns a real estate portfolio comprising of quality industrial, office, and retail properties. Apart from its growing presence in Canada, the $680.7 million REIT aims to expand in the United States. If you invest today, Nexus trades at $8.59 per share with a juicy dividend yield of 7.24%.

The REIT's performance in the first half of 2022 was strong. In the six months ended June 30, 2022, NOI and net income rose 101.8% and 60.6% year over year to $45.98 million and $97.7 million, respectively. Since management wants to focus on the industrial sector, it has a disposition program for retail and office properties.

Kelly Hanczyk, Nexus's CEO, said, "We have a number of acquisition opportunities that are being evaluated and will acquire opportunistically in the current economic environment."

Durable cash flows

Minto Apartment, Slate Grocery, and Nexus Industrial will deliver durable cash flows to investors. Capital gains are also possible over the long term or when the real estate market rebounds.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MI.UN (Minto Apartment Real Estate Investment Trust)
2. TSX:NXR.UN (Nexus Real Estate Investment Trust)
3. TSX:SGR.U (Slate Retail REIT)

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