3 REITs Offer a Good Mix of Growth Potential and Dividends

Description

The Canadian housing market is still in trouble. The prices are falling through a cliff (in some markets), and real estate stocks in Canada are also following this downward trend.

If you are a fan of good bargains, it's a great time for real estate investing, as you can buy many amazing real estate investment trusts (REITs) at discounted prices. You can use this market condition to your advantage and invest in REITs that offer a good mix of growth potential and dividends.

An industrial REIT

Dream Industrial REIT (TSX:DIR.UN) offers a decent combination of growth potential and dividends, or at least, it did until the real estate slump pushed the stock down a cliff. In the four years preceding the 2020 crash, the stock rose about 81%; that's roughly 20% a year. It might not be on par with growth exhibited by tech stocks, but for a REIT, that's way above average.

The REIT stock rose sharply after the 2020 crash as well, but the correction has been just as powerful. It has already fallen 39% from its peak and 25% from its pre-pandemic peak. It's also relatively undervalued, considering its price-to-earnings ratio of 2.26.

The yield has risen to 6.6%, its highest since 2019. And it's supported by a very stable payout ratio, making it an ideal buy for dividends *and* its growth potential, which, hopefully, will manifest in a healthy market.

An industrial REIT with an international portfolio

Another industrial REIT that you should consider is **Granite REIT** (TSX:GRT.UN); it's a larger REIT compared to Dream Industrial and offers a different "mix" of growth and dividends. Despite a 36% fall, its yield has only shot up to 4.6%, which is decent enough.

It's risen over 94% in the four years preceding the 2020 crash, so if we average it out for an annual return, you get about 23.5% growth yearly. Even though it's just modestly higher than Dream Industrial's, the pattern is much more consistent and long term.

Granite has a few other advantages, starting with its international portfolio of assets. This is an edge from both safety and growth perspectives.

A significant portion of its portfolio is dedicated to properties associated with e-commerce (shipping, light assembly, logistics, etc.). That's a growing real estate segment with significant demand.

An urban workspace REIT

If you are looking to diversify your commercial real estate exposure, **Allied Properties** (TSX:AP.UN) is a good option. Since its inception, the REIT has focused on class-one urban workspaces, which are top-of-the-line properties with good amenities and locations. It has over 200 properties in multiple markets; the highest concentration of properties is in Toronto.

Access to a different asset class is not the only advantage the REIT offers to its investors. It's also a decent growth stock, which rose roughly 87% in the four years before the 2020 crash.

Even in its recovery days, it never reached its pre-pandemic peak and is currently trading at a 54% discount from that level, which has pushed its yield up to 6.4%. And if you believe that the stock can start growing at its pre-pandemic pace again, it's a solid pick at this price and yield.

Foolish takeaway

The real estate bull market might be months or even years away, which gives you more room to consider your choices. But the three REITs deserve to be on your radar, and if you can snap them up when they are at their lowest (in the current bear phase), you might get the best of both dividend yield and recovery-fueled growth potential.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)

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adamothman