Real Estate Investors: 3 REITs Are Wiser Choices in a Slumping Housing Market

Description

Rising mortgage rates in 2022 have cooled Canada's housing market considerably, as evidenced by declining sales and falling home prices. David Rosenberg, president, chief economist and strategist of Rosenberg Research, is sure the housing market is heading into a steep downturn.

Real estate franchiser Royal LePage expects home prices in the fourth quarter (Q4) of 2022 to be lower compared to Q4 2021. Its chief executive officer (CEO) Phil Soper said, "Our revised outlook has national prices at just below where we ended 2021, erasing the gains made in the first quarter of 2022."

Since the slump is for real, buying a property for investment purposes isn't advisable at this time. The next-best options for real estate investors are real estate investment trusts (REITs). You can gain exposure to different sub-sectors depending on your preferred type of property and earn dividends every month.

Residential

Morguard North American (TSX:MRG.UN) acquires and operates high-quality multi-suite residential properties in Canada (16) and the United States (27). In the nine months that ended September 30, 2022, net operating income (NOI) and net income increased 16.8% and 211.8% year over year to $104.75 million and $418.86 million, respectively.

At the close of Q3 2022, the occupancy rates are 98.3% in Canada and 95.7% in the United States. The average monthly rent (AMR) in both countries also increased to 2.8% in Canada and 16.8% in America.

While many say that rent money is "dead" money, renting is the better option in the short term if mortgage costs are high. Thus, this $867.42 million REIT could benefit from the housing market's current state. The real estate stock trades at $15.40 (-10.04% year to date) and pays an attractive 4.54% dividend.

Diversified commercial

Crombie's (TSX:CRR.UN) portfolio comprises grocery-anchored, retail-related industrial, and residential properties. Food-retailer giant **Empire Company** owns 41.5% of this $2.67 billion REIT and is also the anchor tenant. Management believes Crombie is well positioned for sustainable growth because of its resilient portfolio and strong financial condition.

Don Clow, Crombie's president and CEO, said the portfolio continues to deliver consistent operating and financial performance. Besides strong economic occupancy (96.3% committed) and higher operating income of $28.42 million (+45% year over year) in Q2 2022, Crombie maintains healthy renewal growth (6.4%).

Clow said the Empire-related initiatives and development should drive long-term sustainable growth. At $15.10 per share (-15.15% year to date), the dividend offer is 5.89%.

Industrial

Dream Industrial (TSX:DIR.UN) is a dividend beast owing to its 6.31% yield. This $2.84 billion REIT owns and operates industrial assets (258 properties) in Canada, Europe, and the United States. The said portfolio consists of sought-after distribution and urban logistics properties.

At $11.10 per share, an investment of $19,980 (1,800 shares) will generate $105.06 in monthly passive income. Because of the robust leasing momentum in 2022, Dream's net income after three quarters increased 76.9% year over year to $740 million.

No landlord worries

Morguard North American, Crombie, and Dream Industrial are wise choices if you want exposure to the real estate sector without owning an investment property. Apart from lower cash outlay, you won't worry about property management or rental vacancy. The best part is the regular income stream or dividends from these top-notch REITs.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

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