3 Discounted REITs That Are Ready to Bounce Back

Description

The real estate sector of the TSX is recovering alongside the rest of the market. It's up 17% since October and may keep on going up. Many real estate investment trusts (REITs) are already on the road to recovery and have the potential to bounce back to the pre-pandemic levels and even grow past that level.

They are still discounted at the moment, and it would be the perfect time to buy them and lock in a good yield and simultaneously leverage the capital-appreciation potential they offer via recovery (short term) and beyond (long term).

A retail and mixed-use properties REIT

With a price-to-earnings ratio of 5.1, **SmartCentres REIT** (TSX:SRU.UN) is among the most undervalued stocks in the real estate sector and, to an extent, the TSX as a whole. During the depth of its last slump, it was down 22%, but with a sector-wide uptick, the stock only boasts a discount of over 14% right now.

The yield is still quite attractive at 6.49%, and even though the REIT hasn't grown its payouts since 2020, there is a chance it may resume this practice in a more bullish and healthy market. The payout ratio is rock solid, so you don't have to worry about the sustainability of the dividends.

The REIT is shifting its focus from retail spaces to creating mixed-use city centres (under the banner of SmartLiving) and has 185 properties in its portfolio worth over $11.7 billion.

An industrial properties REIT

Industrial properties come in various shapes and sizes. Many people consider manufacturing facility properties as industrial, but that's just one segment of it. **Granite REIT** (TSX:GRT.UN) and other industrial REITs like it have a diverse portfolio of industrial properties, including logistics andwarehouse properties.

These properties have seen a rapid rise in popularity, thanks to the advent of e-commerce, which has radically changed the conventional supply chains and has made them more distributed.

Small regional retailers can now reach national or even international customers via e-commerce platforms, and their digital presence and conveniently located warehouses allow them to place their products closer to their target market.

This positive trend is reflected in Granite stock's growth since 2016. The stock experienced two setbacks along the way and is now recovering from the second one. But it's still tastefully discounted (24%) and is offering a healthy 4.1% yield.

A niche REIT

Commercial real estate has many niche market segments, one of which is automotive properties. This is the property class that Toronto-based **Automotive Properties REIT** (TSX:APR.UN) focuses on. The REIT has already developed a portfolio of 76 properties and strategic partnerships with 32 global automotive brands. The weighted average lease term of 10.8 years indicates its long-term financial stability.

With a market cap of just $503 million, Automotive Properties is a small-cap stocks in Canada. But that shouldn't cause you to dismiss its dividends and growth potential (at least when it's fueled by recovery). The REIT is offering a juicy 6.3% yield, and the payout ratio is under 40%. The stock has sustained its monthly payouts of $0.067 per share since 2016.

Foolish takeaway

The three REITs are still discounted, though the discounts are shrinking fast, and consequently, the yields are going down. It would be a good idea to consider taking advantage of the discounts and undervaluation available right now instead of waiting for another sector-wide slump, which may take months or even years to come.

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