



2 Top Residential REITs to Buy in February 2023

Description

All throughout 2022, investors struggled to decide which stocks were the best to buy, considering the uncertain market environment. Whether it is growth stocks, dividend stocks or even [top REITs](#), ensuring you're making the best investments and buying stocks you can hold for years will go a long way. That hasn't been easy, though, with surging inflation and rapidly rising interest rates.

On the one hand, the economy is struggling, after all the interest rate increases in 2022 and again in early 2023. In addition, inflation continues to weigh on the economy, impacting both consumers' budgets as well as companies' costs.

However, although the economy is struggling and significantly impacting the stock market, [long-term investors](#) have an incredible opportunity to buy some of the best stocks on the market while they're significantly undervalued.

That's why you may want to focus on buying top residential REITs for your portfolio. First off, residential REITs can be highly defensive. These are stocks you can buy and hold for the long term since residential real estate is such an important industry.

Furthermore, many of these top residential REITs have become ultra-cheap over the last year and are, therefore, some of the top stocks to consider buying.

So if you're looking to shore up your portfolio or take advantage of all the discounts in the stock market, here are two of the best residential REITs to buy in February.

A top residential REIT focused on eastern Canada

If you're looking to increase your exposure to the real estate sector, one of the top residential REITs to buy now is **Killam Apartment REIT** ([TSX:KMP.UN](#)).

Killam owns both apartment buildings and manufactured housing communities (MHC) across Canada. However, more than two-thirds of its MHC sites and apartment units are located in the Maritimes.

The significant diversification in Killam's portfolio has kept its operations and cash flow robust in recent years, making it an ideal investment in today's economic environment.

Going back to 2007, Killam's average occupancy rate has been over 97%, and it hasn't experienced a single quarter where its occupancy rate was below 95%. Furthermore, Killam has reported 34 consecutive quarters with same-property [net operating income](#) (SPNOI) growth.

That consistent growth allows Killam to continue expanding its portfolio as well as increasing the distribution of cash it returns to investors.

And today, with Killam still trading nearly 20% off its 52-week high, the residential REIT offers a yield of roughly 3.8%, making it one of the top residential REITs to buy today.

One of the top residential REITs to buy and hold long term

In addition to Killam, another attractive Canadian REIT to consider adding to your portfolio today is **Morguard North American Residential REIT** ([TSX:MKG.UN](#)).

In terms of size, Morguard is much smaller than Killam, with a [market cap](#) of just \$730 million, compared to Killam's market cap of \$2.2 billion. However, Morguard's portfolio is much more diversified, with properties spread across nine states south of the border, as well as Ontario and Alberta in Canada.

Having the majority of its portfolio in the U.S. has been beneficial in recent quarters as inflation skyrocketed and raised the operating costs of REITs in North America.

In many states south of the border, particularly the southern states that Morguard operates in, real estate prices were better valued than up here in Canada. Furthermore, with no rental controls in many regions south of the border, Morguard has been able to increase its rental rates significantly to help offset the impact of inflation.

For example, in the third quarter of 2022, SPNOI in its US portfolio increased by 20% quarter over quarter, and that was after increasing by 16% in the first half of 2022.

Therefore, if you're looking to buy a top residential REIT in this uncertain economic environment, Morguard is one of the top stocks to consider.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)

2. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
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