

Apartment REITs look like best option in sector
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Blackmont Capital analyst Gail Mifsud says a new real estate survey shows apartment real estate investment trusts look like the best bet in the sector.

CB Richard Ellis' first quarter survey on capitalization rates shows the residential sector to be the most stable class of real estate. Apartment capitalization rate in Vancouver range from 4% or 6% – the lowest in the country. The cap rate is the implied rate of return on a property; the lower the rate the more a property is worth.

While cap rates are holding strong for apartments they are rising in both the office sector and the industrial sector, in some cities. Retail cap rates are raising across the country while full service hotels cap rates are stable but high.

Ms. Mifsud said the study from CB Richard Ellis supports her overall themes on the real estate sector.

“Overweight the residential sector which is the most stable with the lowest cap rates,” says the analyst who has a Buy recommendation on Boardwalk REIT and a favourable outlook on CAP REIT, Killam Properties and Northern Property REIT.

She has overweight/neutral rating on the office sector with a buy rating on Canadian REIT, Dundee REIT and H&R REIT. The retail and hotel sectors get the worse grades from Ms. Mifsud. She is suggesting investors be neutral/underweight for retail REITS because of the increase in cap rates.

As for hotels, in addition to suffering from a substantial increase in cap rates, “this sector is the most negatively impacted during economic downturns.”

[Garry Marr](#)