Better Buy: Smart REIT vs. Killam Apartment REIT

Description

If you're a retiree who relies on the monthly income from dividends and distributions, then you know the importance of having both a high yield and a sustainable payout. Sure, you want to give yourself a raise by looking for a ridiculously high-yielding stock, but you could be putting yourself at risk. One day, you may be shocked to find that what you thought was a raise is actually a good way of giving yourself an income reduction to go with capital depreciation.

Giving yourself a raise through investing in higher dividend yields is a tough task. You need to ensure that the management team has shareholders' interests in mind and that the business will be able to sustain a payout, even through harsh economic environments. REITs are stable ways of getting high yields that are relatively safe, but which ones are the safest? I believe residential REITs and specific retail REITs are some of the most stable sources of high distributions, while office REITs are the riskiest of the batch.

Smart REIT (TSX:SRU.UN) and **Killam Apartment REIT** (TSX:KMP.UN) are two very high-quality REITs with generous distributions hovering around the 5% mark. Smart REIT is a retail REIT, and Killam is a residential REIT, but which one is the better industry, and which stock should you consider picking up today?

Smart REIT

Smart REIT offers investors a whopping 5.43% yield that can be relied on for years to come. You may be worried about the death of the shopping mall or have fears over declining retail sales at brick-and-mortar stores and the potential impact on shopping centre REITs.

Sometimes when others are fearful, there's usually an opportunity to take a contrarian position.

You should know that Smart REIT owns a lot of stores that not even e-commerce can bring down. Most of the stores are anchored by **Wal-Mart Stores**, which I believe will fend off competitors well over the next few years and be a huge driver of traffic to Smart's shopping centres.

Killam Apartment REIT

Killam pays a juicy 4.86% yield and owns over $1.9 billion worth of real estate assets primarily located outside frothy overheated danger zones in Canada's real estate market. Most of Killam's units are on the Atlantic coast, but the management team has made it clear that the plan is to diversify to other provinces as well.

Although REITs are generally known as slow or no-growth operations, Killam is growing with over $59 million worth of development projects in its pipeline.

If you want stability, growth, and income in the residential REIT space, then Killam is a solid bet.

Better Buy?

You can't go wrong with either REIT. It would make sense to pick up shares of both, but if I had to choose one, I'd go with Smart REIT for the extra yield. I think the fears over the death of the shopping mall are way overblown, and I find it very unlikely that Smart REIT will experience a surge of vacancies a few years down the road.

Stay smart. Stay hungry. Stay Foolish.

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1. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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