# The Smartest Investment an Income Investor Can Make Today

## Description

Rock-bottom interest rates were a great time for conservative income investors. The capital gains that came with the huge dividend payouts were like a cherry on top! Sadly, with rates poised to rise over the foreseeable future, the glory days are over. I'm sure you've noticed the slowed trajectory of many telecoms, utilities, and REITs (with a few exceptions of course), which have slowed in conjunction with the rising interest rate environment.

Higher borrowing costs on necessary upgrade expenses mean that dividend or distribution hikes will be either less generous, less frequent, or both. When it comes to higher-growth utilities and telecoms, you'll still get those dividend hikes, albeit less generous than the past, however; with REITs, what you see is often what you'll get.

If you're a retiree who depends on income from investments or if you're just wanting to play defense to lower your downside come the next recession, then REITs, telecoms, and utilities are still great plays. You'll still get a rock-solid holding in the event of an economic downturn and at these levels, it appears that a rapidly rising rate environment is already partially (if not fully) factored into the shares of many interest-rate sensitive securities.



Moreover, if you value safety above all else, don't start exposing yourself to riskier securities just to offset slowed forward-looking capital gains. There are unloved stocks out there that are overly beaten-up, with some impressive growth profiles that are overlooked by average investors.

One unloved stock that offers compelling value and growth is **SmartCentres Real Estate Investment Trst** (TSX:SRU.UN), the retail REIT behind many strip malls across Canada.

When it comes to anything retail, the sentiment is overwhelmingly negative. Many old-fashioned big-box retailers are dropping like flies thanks to a barrage of competition from digital disruptors.

On this side of the border, however, shopping malls are still alive and well. Retailers that fail to adapt are going belly up, but they're being quickly replaced by more intriguing retailers that are drawing massive crowds.

In addition, a majority of SmartCentre's tenant base are retail powerhouses that are very unlikely to end up sideways over the next decade. With no evidence to suggest a rise in vacancies, the recent turmoil on shares of SmartCentres is completely unwarranted!

Further, SmartCentres has a new leadership team that's spicing things up with residential developments. Over the next decade, the retail REIT is going to turn into a diversified play. However, unlike its massive diversified real estate peers in the space, SmartCentre is small enough such that the diversification efforts will result in a greater magnitude of value creation for shareholders.

Think of SmartCentres as a speedboat and its larger competitors like **RioCan Real Estate Investment Trust**

(TSX:REI.UN) as aircraft carriers. It's much harder for RioCan to turn the ship around!

I believe the future residential developments are not being factored into shares at these levels, and would encourage income investors to scoop up a position today, as the discount and long-term growth are both too attractive to ignore. The new "SmartCentres REIT" name change from "Smart REIT" is misleading when you consider the company's longer-term growth plans.

With this in mind, SmartCentres remains one of my top Canadian REIT picks at this point in time. The 5.89% is yield is not only attractive, but given long-term growth prospects and expectations of 10% in FFO growth, I think the distribution could stand to grow at a larger magnitude than your average low-growth REIT.

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**TICKERS GLOBAL**

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)



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**Date**
2025/08/26
**Date Created**
2018/05/25
**Author**
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