Have Your 6% Yield and Long-Term Growth Too With These 2 REITs

Description

When it comes to REITs, having a high upfront yield to go with growth is like having your cake and eating it, too. Many investors don't believe it's possible. You've got to settle with low growth and a high upfront yield, or you've got to sacrifice a bit of yield to get an above-average magnitude of long-term growth.

While it's true this yield-to-growth trade-off exists in most cases; there are a couple of outliers that offer income investors the opportunity to enjoy massive yields up to 6% while still being able to enjoy an above-average level of growth versus the broader basket of REITs.

In previous pieces, I've emphasized the importance of not neglecting growth when on the hunt for yield, especially if you're a retiree who's worried about running out of money after breaking open your retirement nest egg. It's not only important for a retiree to preserve their nest egg, but it's also important to keep it growing, because unforeseen expenses can wreak havoc on your nest egg and the income stream it provides.

Without further ado, here are two REITs that I think are the best in breed at today's levels:

Summit Industrial Income REIT (TSX:SMU.UN)

The 5.91% yield is delicious by any income investor's standards. But you know what's even more delicious? The 45% in capital gains that the trust has clocked in over the past two years.

Talk about having your cake and eating it, too!

The trust is focused on growing and managing a portfolio of light industrial properties (or warehouses) across the country. As you may know, industrial REITs are the most sought-after properties out there, and they'll continue to be as e-commerce continues to take off across the country.

Moreover, Summit has doubled down on warehouses with ample acquisitions over the past few years, and one can only expect this rate of growth to continue, as the demand for such industrial properties continues to surge.

Fellow Fool contributor Will Ashworth noted that Summit is the “one to own” in the industrial REIT world, and I think he’s right on the money.

Smart Real Estate Investment Trst (TSX:SRU.UN)

Strip malls and retail properties are what you’ll get with SmartCentres.

If you’re still reading, I commend you, because you’re probably not buying the “death-of-the-shopping-centre” thesis, like many other investors have over the past few years.

In Canada, brick-and-mortar retail is alive and well. SmartCentres rakes in its rent as long as its tenants don’t go belly up. And given the fact that **Wal-Mart** anchors a majority of its locations, SmartCentre’s tenants stand to benefit from the traffic that flows in and out of Wal-Mart stores.

Think of Wal-Mart as the heart of SmartCentres, and think of other retailers as other organs that make up SmartCentres. The heart (Wal-Mart) pumps the blood (mall patrons) to other organs (other retailers) within the body (SmartCentre). As long as the heart is still healthy, so too will the circulation of traffic be for other retailers.

Furthermore, SmartCentres isn’t just a “dying” shopping centre. It’s steering towards shopping-centric communities, as it incorporates residential and storage real estate into its mix of development projects. In a decade from now, SmartCentres will reinvent itself as a builder of communities, not just shopping centres, and that makes me a raging bull.

The 5.85% is icing on the cake and will reward investors who are willing to stick around, as SmartCentres steps into the realm of master-planned communities.

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