# 3 High-Yield REITs for Your TFSA

### Description

It's official: Canadian real estate is in a slump. According to recent figures by the Canadian Real Estate Association, real estate sales have dropped 12% nationwide, while some markets, like Vancouver, have seen even bigger declines. The nationwide slump has been attributed to a number of factors, most notably rising interest rates, which make mortgages costlier.



And yet despite this, many REITs are actually up this year. This may seem remarkable considering that the TSX as a whole has shed more than 10% of its value in 2018. But on closer examination, it's not at all surprising that REITs are doing well. A turbulent stock market has people looking for safety, and while real estate is weak right now, REITs do at least offer a measure of stability. The fact that they have some of the highest dividend yields around is another reason that some risk-averse investors like them.

I'll be sharing three high-yield REITs you can count on for steady income, starting with one that most will be familiar with.

## RioCan Real Estate Investment Trust (TSX:REI.UN)

RioCan is one of Canada's best-known real estate companies. It's the second-biggest REIT in the country and has $14 billion worth of real estate in its portfolio — including valuable properties like Toronto's Yonge-Eglinton centre. RioCan deals mainly in commercial real estate, so its holdings are not too exposed to the current housing slump. The company's shares yielded 5.95% at the time of this writing, which is well above average for the TSX. Be aware, though, that RioCan's earnings have been trending downward, which, when combined with its high (79%) payout ratio, means the dividend could be cut.

## H&R Real Estate Investment Trust (TSX:HR.UN)

H&R is another large REIT that specializes in office space and commercial/industrial property. It owns about $13 billion worth of real estate assets. In Q3, H&R's earnings soared from $77 million to $105 million — 33% growth! At the same time, the company's rental income was down 1.2%; the rise in earnings was attributable to non-cash items. H&R pays a distribution that yielded about 6.6% at the time of this writing. This company's payout ratio is high at 81%, but if it can keep up the earnings growth it has been witnessing, then it should have no trouble raising or at least maintaining the dividend.

## SmartCentres Real Estate Investment Trust (TSX:SRU.UN)

Last but not least, we have SmartCentres.

SmartCentres is a REIT that specializes in retail, especially power centres and strip malls. Its stock has outperformed the TSX significantly in 2018 and, at the time of this writing, was up year to date. It's not surprising. Power centres are growing in popularity, usurping malls as middle class consumers' shopping location of choice. And with that comes big growth for companies that own them: SmartCentres's revenue was up 8% and its net income was up 36% in its most recent quarter. SmartCentres pays a hefty 5.6% dividend, which it should be able to maintain or even increase if earnings growth continues to be strong.

**CATEGORY**

1. Dividend Stocks
2. Investing



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1. Editor's Choice

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