3 REITs to Help You Retire Rich

Description

The “4% rule” is so outdated! With REITs you could rake in much more monthly income. Best of all, you won’t need to increase the amount of risk you’ll bear. You may stunt your longer-term growth depending on the REIT you intend to invest in, however, so make sure you do your homework thoroughly to ensure that your long-term growth requirements are met because no retiree wants to outlive their nest egg after opening it up.

Without further ado, here are three solid REITs to get you started:

Automotive Properties REIT (TSX:APR.UN)

Here’s a REIT that gets a bad rap because of the industry it serves. Automotive Properties REIT leases property to auto dealerships, and although the highly-cyclical sector is the last place any investor would want to invest after a decade-long bull run, investors should realize that Auto Properties REIT is pretty much secure from a downfall in the auto sector.

Yes, peak auto is scary, and the name of the REIT gives off bad vibes, but once you look under the hood, there’s not much to be fearful of. Auto Properties REIT just looks like another well-run REIT with a reliable distribution (currently yielding 7.5%) and enough agility to grow its AFFO at a quicker rate than most larger REITs out there.

Auto Properties REIT has many of its tenants on lock down for the long-term, and even if we’re at peak auto, investors should expect to continue raking in the distributions as per usual.

Boardwalk REIT (TSX:BEI.UN)

Boardwalk REIT owns over 260 residential properties across B.C., Alberta, Ontario, and Quebec. The REIT has an underwhelming 2.6% yield, but given the above-average AFFO/unit growth rate and how cheap shares are after falling 45% from the top, I see a very favourable risk/reward trade-off for investors seeking to score a big total return.

Now, Boardwalk is by no means a perfect REIT. Its Albertan exposure has been a major sore on recent results. But given the dire state of Alberta's ailing economy and the potential relief that Alberta's economy could have under its new premier, I think Boardwalk REIT may be on the verge of a nice bounce.

Boardwalk's new distribution is now stable, albeit unrewarding thanks to a huge 56% distribution reduction that happened last year. While most folks would take a rain check on Boardwalk, I'd encourage investors to consider the potential for capital appreciation and distribution growth as the REIT looks to get its AFFO back to levels that'd warrant a fat distribution hike.

SmartCentres REIT (TSX:SRU.UN)

Finally, we have a retail REIT that's slowly transforming into a mixed-use property REIT.

You may know SmartCentres for its strip malls, and you're probably worried that tumbleweeds are going to be rolling through them as brick-and-mortar retailers continue tumbling due to the rise of e-commerce. These fears are a major reason why SmartCentres REIT has been a rocky road over the past four years.

Of late though, more attention has been focused on SmartCentre's long-term plan, which involves residential-commercial developments that are virtually "urban master-planned communities." In a prior piece, I touted SmartCentre's as a top pick for the long-term growth story and the added-value that mixed-use properties will have on the REIT's AFFO growth.

Today, SmartCentres offers a 5.3% yield, which is attractive on its own. When you consider the long-term AFFO growth potential, however, SmartCentres is no longer an unattractive "strip mall play"; it's a transformative play that could lead to significant capital gains and distribution growth.

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