2 Passive-Income REITs for Your TFSA Freedom Fund

Description

Passive-income investors know the feeling of making money while they sleep. In the choppy market environment that we're in, where a single tweet could cause the markets to fall off a cliff, REITs are must-own investments for a TFSA fund because they provide passive-income investors with the best of both worlds: protection from the volatility storm and very bountiful distributions.

As others sell their stocks in May and go away, here are two reliable REITs that you may want to load up on as the full-blown trade war continues to wreak havoc on the equity markets.

InterRent REIT (TSX:IIP.UN)

Here's a REIT that has the perfect formula for huge distribution growth. With a mere 2.1% yield, the name isn't the most bountiful REIT in the world, but if you've got a horizon beyond five years, InterRent can provide you with gains and growth that are comparable to that of a stock.

So, why buy a REIT with a stock-like trajectory instead of owning equities? Shares of InterRent possess a ridiculously low beta and are thus extremely lowly correlated to the stock market, which is a good thing, since, apparently, tweets are dictating where the markets headed next!

Moreover, InterRent's proven low-risk growth strategy is a great way to profit, as others hit the panic button over implications from a potential trade war. I like to think of InterRent as a value investor of the REIT world. The company scoops up out-of-favour properties at a low price, then spruces them up to command higher rents. It's a strategy that the managers at InterRent have perfected, so those looking to rebalance their portfolios to better deal with volatility, InterRent should be one of the names at the very top of your list.

Crombie REIT (TSX:CRR.UN)

For those who want a more bountiful payout at the expense of longer-term distribution growth, there's Crombie REIT and its 5.89% yield.

For those unfamiliar with the name, it's one of Canada's top grocery-weighted retail REITs with its vast portfolio of grocery-anchored locations. While retail REITs are seen as unattractive given the rise of digitized sales channels, Crombie, like many of its retail REIT peers, has a long-term plan to deal with a potential gravitation of consumers towards online platforms.

As fellow Fool contributor Nelson Smith pointed out in his prior piece, Crombie is in the early innings of "an ambitious redevelopment plan" whereby the REIT will be "converting standalone stores in urban locations to mixed-use facilities, usually with retail space on the bottom and residential apartments or condos above."

Smith also noted that upon completion, the redevelopment program should increase net asset value by around 75% with gross leasable space increasing by around 50%.

In a prior piece, I highlighted the "hidden value" that retail REITs could unlock by diversifying into residential real estate. The perfect mix of retail and residential results in tenants having a mutually beneficial relationship with one another, thus boosting the rent amount for well-located properties.

As Crombie moves forward with its ambitious plan, I expect a quicker rate of AFFO growth and big distribution hikes over the years.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/02
Date Created

2019/05/17
Author
joefrenette