2 Top Canadian REITs for Reliable Passive Retirement Income

Description

REITs are must-own staples for retirees not only for their above-average yields, but also for their below-average magnitude of volatility relative to stocks. In a finely balanced portfolio of stocks and bonds, REITs can drastically lower the portfolio's overall beta (or correlation to the broader markets), essentially allowing an investor to better tame volatility.

Given that we're right in the middle of a trade war, where uncertainty couldn't be any greater, I'd say the lower degree of volatility and a higher degree of certainty offered by REITs ought to have most prudent investors backing up the truck on their favourite high-yielding real estate plays.

In this piece, we'll look at two bountiful low-beta REITs that'll allow you to sleep comfortably at night as continued trade war rhetoric continues to shake the market.

InterRent REIT (TSX:IIP.UN)

With a three-year beta of -0.18, InterRent is a top alternative investment to own if you're looking to profit but want to limit your exposure to the broader equity markets. While InterRent is lowly correlated to the stock market, its shares are still not immune from an implosion if the trade war were to send the global economy tail spinning into a recession.

If you're one to believe that we're in for a temporary bout of economic weakness (or a mild slowdown), InterRent is a nice place to hide. The REIT tends to zig when the market zags, and all the while, you'll be able to collect a 2.1% distribution yield, which is slated to grow by a considerable amount over the next few years.

REITs are subject to growth-killing requirements (like paying back 90% of taxable net income back to investors), but despite this, InterRent has found a way to grow at an above-average rate thanks to the managers who've found the formula that works. Buying weak properties for cheap, sprucing them up, and raising rents has unlocked considerable value for long-term shareholders.

Given that the stewards at InterRent are exceptional, I see a lower degree of execution risk relative to most other firms that actively seek synergistic and accretive acquisitions. While the 2.1% yield isn't impressive, the magnitude of distribution growth over the years (and the capital gains) are well worth the price of admission at this juncture. InterRent's ridiculously low beta is just icing on the cake for risk-averse investors.

Inovalis REIT (TSX:INO.UN)

If you're heavily exposed to the Canadian stock market, it makes sense to seek an outlet into an additional market, not just for better returns, but also to lower your portfolio's current correlation to the **TSX** index.

Inovalis is a play on the French and German real estate markets, and as you might imagine, the European real estate powerhouse has a low three-year beta of around 0.39 three-year beta. The main attraction to Inovalis isn't its beta, however, but rather the yield, which stands tall at 7.93%.

While the yield is ridiculously high, it's also safe and sound, as the payment is well supported by the REIT's AFFO, which is slated to grow further as management looks to add to its relatively small portfolio of properties.

Now, Inovalis may be a small player with a market cap south of $250 million, but it's a steady Eddie play that'll do wonders for your passive income fund over the near and long term. It's tough to find a non-preference share of a firm with a safe yield that's so high and a growth profile that isn't completely lacking.

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