TFSA Investors: 2 “Hot” REITs Yielding Up to 12.8%

Description

As the yield goes up, so too does the level of risk. If you do your homework and inspect the sustainability of the company’s distribution, however, it does make sense to be a chaser of the massive yields as long as you don’t have unrealistic expectations regarding capital appreciation potential.

When you’re looking at yields north of 10%, flat lined shares are a win. So, if you’re looking to give your TFSA income portfolio a raise, check out the following three REITs that are safer than their lofty yields suggest.

American Hotel Income Properties REIT

First, let’s look at the main attraction of this piece: **American Hotel Income Properties REIT** (TSX:HOT.UN), a beaten-up REIT that sports a gigantic 12.8% yield. As you’ve probably guessed from the name of the REIT, it invests in hotel properties based primarily out of the U.S. The REIT has partnered up with well-known hotel firms like the Hilton, Marriott, and Wyndham, just to name a few.

The hotel real estate sub-industry may be more cyclical than others, but the recent fall in the stock, I believe, has been exaggerated. The REIT has sacrificed a bit of near-term cash flows with renovations for the betterment of its future.

Spruced up rooms will allow American Hotel Properties the ability to command higher rents moving forward. Higher rents mean uptrending AFFOs, which will ultimately provide additional support to the massive distribution.

Shares have been in free-fall over the past several years, losing around half their value from peak to trough. While shares may pick-up negative momentum over the medium term, the yield is big enough (and likely safe enough) to limit your damages.

Inovalis REIT

If an "artificially high yielding" REIT isn't your cup of tea, consider **Inovalis REIT** (TSX:INO.UN), a European-focused REIT that primarily owns office real estate in prime locations across France and Germany.

Shares have been consolidating within the $9-10 channel for over the past five years. While the lack of sustained capital gains is a turn-off for most investors, it's worth mentioning that if investors purchased shares after those steep annual 10-15% drops, there were quick gains to be had, and an opportunity to lock-in an even higher yield.

A new channel appears to have formed between $10.50 and $9.50. At the time of writing, shares are in the middle of the channel at $10 per share, with a bountiful 8.2% yield. If you're looking for more stability, it may make sense to get some skin in the game with the intention of buying more shares should they touch down with the mid $90 levels again.

Foolish takeaway

If you're looking to give yourself a massive tax-free raise, American Hotel Properties and Inovalis are two top bets. For those with a higher tolerance for risk, bite on the 12.8% yield of American Hotel Properties, and for those who want passive income and stability, Inovalis, with its 8.2% yield, is the horse to bet on.

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2. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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