Forget Cannabis Stocks: This Rock-Solid Sector Pays Rich Dividends!

Description

While few industries are entirely resistant to a market downturn, real estate is up there among the most defensive. It’s certainly a stronger play for a low-risk investor than cannabis — a sector that has tanked hard since legalization. For the casual investor who bought into the great green hype and may still be sitting on devalued pot stocks wondering whether to swap them out, real estate investment trusts (REITs) could be strong contenders.

Think REITs for low-risk wealth creation

Strongly diversified and packing classic recession-busting qualities, **Northview Apartments** pays a tasty dividend of 5.4% backed up with revenue from around 27,000 homes and a commercial footprint of over a million square feet. One of the largest REITs of its type, it’s a classically defensive addition to a TFSA. Short of the worst downturn, it’s a low-risk buy-and-hold option.

Apartment REITs are classic defensive plays and are generally well placed to weather a market downturn, if and when such an event darkens the Canadian economic landscape. The perfect REIT has its risk counterbalanced with reliable revenue, and residential trusts are among the safest such investments provided they carry an acceptable level of debt.

From office properties (almost half its portfolio), to retail, industrial, and residential sites, **H&R REIT** offers real estate investors low-exposure assets in this sector instead of brick-and-mortar analogues. Around two-thirds of its sites are in Canada with the remainder south of the border. H&R’s spread of sites is broad enough to take in both multi-family residential assets in the southern U.S. and Toronto’s Atrium.

As it is one of Canada's largest REITs by market cap, if not the largest strongly diversified such trust, defensive investors have a clear thesis for buying on this point alone. Whether you're looking for key lazy-landlord stocks or are simply looking to add real estate to a portfolio without the risk of actually owning property, a 6.45% dividend yield with 80% payout ratio makes H&R a strong play for income growth.

Swap risk for defensive income

Another huge REIT for your income portfolio, **SmartCentres REIT** also packs an 80% payout ratio, this time with a 5.84% fed by high-quality retail rents. Big names add peace of mind with this long-term pick for a retail REIT pick (think **Walmart** and **Canadian Tire**) with the defensive consumer staples twist afforded by supermarket and pharmacy exposure.

Mixing income with growth, SmartCentres covers its revenue with multi-year leases (usually five years), meaning that buy-and-hold investors shouldn't have too much to worry about. SmartCentres is also actively expanding its operations, which will add extra diversification across real estate types. Taking in accommodation, office space, and the hospitalities, SmartCentres has a sturdy track record.

The bottom line

Getting defensive in 2020 and looking to pack some dividend growth in a stock portfolio? If you're divesting risky assets like cannabis stocks and looking to snap up classically safe plays, adding REITs to a basket of income stocks makes sense. From diversified trusts covering consumer staples to residential rentals, these Canadian REITs offer reliable income growth.

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