Create Passive Income With 1 Top TSX REIT!

Description

The stock market is taking a beating and interest rates have been cut somewhat harshly. To some, this may seem like reason for panic. However, contrarian passive income investors can take advantage of this recent downturn and scoop up high-yielding stocks at discounted prices.

REITs, in particular, offer a monthly cash flow model that can significantly boost a passive income stream. Plus, with the rate cuts making mortgages even more affordable, it's entirely possible that the real estate market will continue to heat up while the stock market struggles.

REITs offer investors an alternative to actually buying property. For many, the down payment alone is prohibitive when looking to buy an income generating rental property. REITs allow you to generate similar monthly cash flow to a rental without the large upfront costs.

The trade-off is generally that your principal investment tends to be stagnant, whereas a physical property appreciates over time. Today, we'll look at a REIT that's now yielding upward of 6% and positioning itself for a strong 2020.

SmartCentres REIT offers attractive passive income

SmartCentres REIT (TSX:SRU.UN) is a massive, fully integrated Canadian REIT. The company has nearly $10B in assets and its portfolio contains 157 properties across the country totalling roughly 34.1 million square feet. SmartCentres is known for its large malls, which generally feature retail heavyweights like **Walmart, Best Buy,** and **Dollarama.**

As of writing, SmartCentres yields an eye-popping 6.16%, which means that investors could add an extra $200 per month in passive income with an investment of about $39,000. The company also hasn't cut its dividend since the beginning of 2005 (yes, even through the financial crisis).

However, it must be mentioned that the yield was stagnant from 2007 until 2014 and has been growing incrementally since then. While the payout ratio of 97.65% is a bit on the higher end, it's not unsustainable.

What about e-commerce?

SmartCentres' retail focus is where most of the negative sentiment comes from for this REIT (or any retail-focused REIT), as detractors cite the rise of e-commerce. However, Canada still lags behind the United States in terms of online shopping popularity.

Plus, SmartCentres has a strong partnership with Walmart, which has proven to be stable in the face of online competition.

In addition — and perhaps most important — SmartCentres is rolling out a $12.1B new development program. With this, the company is looking to build 27.3 million square feet of new real estate over the next five years, almost doubling its physical presence.

Of course, this development plan includes more retail and office spaces. However, it also includes many apartments, condos, hotels, and other residences.

The company's foray into residential holdings should help calm concerns over any e-commerce threats, and with the housing market poised to continue rolling, SmartCentres is well positioned to reap the rewards.

The bottom line

Passive income investors worried about negative stock market returns in the near future should consider SmartCentres. As a REIT, it pays out monthly dividends and can add to your monthly cash flow.

With commitments to enter the residential housing space in the immediate future, the company is diversifying its portfolio and hedging its retail exposure. If reliable, monthly passive income is what you're after, give SmartCentres strong consideration.

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1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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