Retirees: 2 REITs to Buy Amid the Market Crash

Description

Canadian retirees just got dealt a horrible hand. Not only did stocks crash, but safe-haven assets like bonds, gold, and REITs also took a plunge. When the stock market goes down, bond and gold prices should go up, especially as interest rates are cut! Add the plunging loonie (it's fallen 10% relative to the greenback amid the crash) into the equation, and many retirees are in a most vulnerable spot — not just with the coronavirus, but with their finances.

It's not fair. This market is not normal. Liquidity has dried up, and things that aren't supposed to be selling off are tanking. REITs, which tend to be lowly correlated to moves made by the broader markets, took a brunt of the damage amid the pandemic pullback. While low-beta investments are a terrific way to ride out volatile times, all bets are off when there's a crisis. The low-beta strategy suddenly becomes ineffective, as every asset is ditched in a cash crunch of a crash.

The REITs aren't safe from violent swings, but their distributions, which are now swelled, can be a heck of a lot more sustainable than some of the artificially high-yielding dividends on stocks right now.

Consider retiree favourite **RioCan REIT** (TSX:REI.UN) and oversold retail kingpin **SmartCentres REIT** (TSX:SRU.UN), both of which have lost around half their value over the past two months. Shares nosedived off a cliff, with little warning, as investors rushed for cash — the only safe-haven asset these days. RioCan and SmartCentres sport 9.2% and 11.4% yields, respectively, at the time of writing.

RioCan REIT

RioCan REIT was a popular option for retirees because of its outsized yield, which typically hovers around 5%. The stock has exhibited minimal volatility since rising out of the Great Recession, where the REIT took a beating and has been a reliable source of monthly income for those who need it.

Real estate is supposed to be “safe.” RioCan is a diversified REIT known for its distribution stability, so it’s arguably one of the plays you’d think would most secure from a market-wide meltdown. But when we enter times of crisis, nothing truly is safe from substantial depreciation, as we witnessed during the market crash of 2008.

Like in 2008, though, I believe the damage done to RioCan will be short-lived, and shares will recover with time. Moreover, retirees who can find it within them to hold their noses and buy more shares will be the ones that will stand to reap the most rewards. The distribution isn’t in jeopardy and will allow retirees to “lock in” a 9.2% yield, as they wait for the markets to repair themselves and the coronavirus to go away.

SmartCentres Real Estate Investment Trust

Oh, boy. SmartCentres REIT imploded. The coronavirus pandemic has caused many to avoid crowds like the plague, and shopping malls are the last place that people want to hang around these days. Many shopping malls have reduced their hours, as Canadians begin to distance themselves from one another to reduce the spread of the deadly coronavirus disease (COVID-19).

SmartCentres may be suffering from less traffic these days, but it’s temporary. And it won’t cause vacancies to skyrocket anytime soon. Nobody knows how long the pandemic will last, but it’s SmartCentres’s tenants that are taking on most of the damage. As long as they remain able to pay their rents, SmartCentres will be able to continue distributing outsized payments to shareholders.

Shares of the ailing REIT are priced as though Canadians are never going to malls again. Once these dark days pass, I believe SmartCentres is one of the top securities that will stand to correct to the upside.

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