Passive-Income Investors: 3 High-Yielding REITs

Description

Each day, the markets are wildly volatile, as uncertainty around COVID-19 continues to loom large. However, for a passive-income investor looking at the long term, stocks simply appear to be rather cheap right now.

With enough surplus cash in hand, investors can snap up deeply discounted shares of quality stocks to hold long term. Over time, the passive income adds up and compounds to make for a highly lucrative endeavour.

However, it's important to pick solid stocks with steady yields that are capable of riding out these tough times. Right now, some solid REITs are trading at dirt-cheap prices with eye-popping yields.

Today, we'll take look at three REITs that offer substantial passive income with the stability investors are craving.

H&R

H&R REIT (TSX:HR.UN) is one of the largest REITs operating in Canada, with over $14.5 billion in assets. It mainly focuses on retail and commercial properties but is also growing its residential holdings.

Its dividend has been growing steadily since mid-2013. As of writing, it trades at $9.09 and is yielding a whopping 15.18%.

Now, with tough times ahead for businesses, I'd expect H&R to take a bit of a hit with its commercial holdings. Plus, the company currently runs a payout ratio of 116%, so I wouldn't think a dividend that high would be too sustainable given the circumstances.

However, even with a small cut, the yield would still be pretty juicy. Plus, the company is focused on growing for the long term. So, even with challenges ahead in the near term, investors can start milking the dividend now and hold H&R as it grows.

But the yield cut is something to be aware of.

Passive income with SmartCentres?

SmartCentres REIT (TSX:SRU.UN) is another one of Canada's largest REITs. It has roughly $10 billion in assets and hundreds of properties across Canada.

Now, this is a more retail-focused REIT, which might sound scary to investors. However, keep in mind its biggest tenant is **Walmart**, and it also frequently features stores like **Dollarama** in its strip malls.

With these giant staples-oriented retailers anchoring a lot of SmartCentres's property, vacancy scares should be limited for this REIT.

As of writing, this REIT is trading at $17.95 and yielding 10.3%. This represents an enormous amount of monthly passive income passed on to investors.

It also hasn't cut down its dividend since 2005 — not even during the financial crisis. Plus, unlike H&R, its payout ratio is under 100%, so the dividend is a bit more sustainable.

Make a passive-income "Choice"

Choice Properties REIT (TSX:CHP.UN) is the third and final REIT to be discussed today. It is the largest REIT in all of Canada, with over $16 billion in assets.

If you're looking for recession-proof income, it's hard to argue against Choice. Choice's main tenant at its retail locations is **Loblaw**. So, it should still be pulling in most of its monthly cash flow, as Loblaw is in a prime position to continue to prosper, despite economic headwinds.

As of writing, it's trading at $11.38 and yielding 6.5%. Its yield seems to be dwarfed by the two yields above, but that can be mostly chalked up to the fact those REITs have fallen a lot farther than Choice has.

It stands to reason that the yields for SmartCentres and especially H&R could be on the chopping block. Meanwhile, Choice's yield should be safeguarded by its ties to Loblaw.

Choice is probably the most stable if unexciting pick of the bunch.

The bottom line

REITs offer great passive income to long-term investors. The three REITs mentioned here are among the best on offer on the TSX. For the ultimate passive-income stream, considering adding these REITs to your portfolio.

CATEGORY

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TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:HR.UN (H&R Real Estate Investment Trust)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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