TFSA Investors: How to Turn $10,000 Into $1,800/Year in Passive Income Amid the Market Crash

Description

REITs have sold off violently amid the coronavirus-driven market crash. While REITs are technically considered an "alternative investment" that's lowly correlated to the broader equity markets, this degree of low correlation goes up in a puff of smoke when we enter a crisis-driven market meltdown like the one experienced over the past month.

There was an unprecedented asset liquidation across the board, as investors sold everything to raise cash. Not only equities crashed, but bonds, REITs, Bitcoin, and even gold went down alongside stocks. For income-oriented TFSA investors, this "broken" market is an opportunity to snag your favourite REITs at generational discounts to their intrinsic value. Many reliable REITs took a brunt of the damage and now sport yields that are double that of mean levels.

With interest rates at the floor, yields are going to become scarce once investors come back to their senses. So, if you've got the liquidity to go against the grain, you can lock in a massive distribution yield alongside potentially outsized capital gains with Canadian REITs.

In essence, you can get twice the yield for half the price after the vicious sell-off that's now in the rear-view mirror. And best of all, you won't need to risk your shirt to capture some of the high double-digit yielders out there amid the chaos. The most bountiful REITs out there now have yields that are well over the 10% mark, and believe it or not; they're a lot safer than meets the eye!

With an average yield of 18%, you can earn $1,800 per year in tax-free income with high-yield REITs in your TFSA. Consider shares of **H&R REIT** (TSX:HR.UN) and **Inovalis REIT** (TSX:INO.UN) — two oversold real estate plays that have fallen from glory amid the coronavirus-driven cash crunch, now sporting handsome yields of 17% and 18.5%, respectively.

H&R REIT

H&R REIT is a diversified REIT that many conservative investors have relied on for income. The REIT holds a sizeable portfolio of properties across a broad range of real estate sub-industries. A significant reason why H&R REIT took on a brunt of the damage is likely due to its heavy weighting in retail real estate, which is seen as toxic amid the coronavirus pandemic.

Shopping malls are seeing reduced hours and plummeting traffic, but that doesn't mean the shopping mall is dead, nor does it mean H&R is at high risk of cutting its distribution. Sure, a potential lockdown doesn't bode well for retail tenants. Still, unless tenants start going under en masse (an unlikely scenario), investors should continue to view the massive distribution as relatively safe.

A 17-18% yield is seldom viewed as safe under normal market environments. But we're not in one right now. We're in a severely oversold "broken" market with investors that are starved for cash. If you've got the liquidity, H&R REIT is nothing short of an opportunity of a lifetime for long-term investors looking for a sizeable monthly income stream.

Inovalis REIT

Inovalis REIT is a European-focused office real estate play that's sported a whopping 8% yield when times were normal. Today, that yield has more than doubled, currently sitting at a staggering 18.5% after shares collapsed, losing 60% of their value over a matter of weeks.

For shareholders of the REIT, it hurts to see such a vicious sell-off, especially when you consider the name has traded in a pretty flat line for nearly seven years. There's no question that Inovalis is one of the lowest-beta plays around, but none of that mattered when we got hit with the coronavirus crisis. Inovalis crashed by an unprecedented amount, and I think it's overblown beyond proportion.

I never thought I'd view an 18.5% yield as relatively safe, but with Inovalis, I think that's precisely what you're getting at these depths. Amid the coronavirus pandemic, everybody is rushing to work from home, especially across France and Germany, which has been hit hard by the coronavirus.

When the pandemic passes, employees will be heading back to the office, and Inovalis REIT will correct to the upside, as fears over surging vacancies prove to be exaggerated.

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