Passive-Income REITs I'd Buy Before an Epic 2021 Recovery Rally

Description

Today, many of the top income plays have been ditched, and their yields are well above the 8% mark. Although such handsome payouts may resemble dividend reductions waiting to happen, I'd argue that many firms have the balance sheets (and more clarity following the big **Pfizer** vaccine breakthrough) to keep their stretched dividend commitments intact, even with this latest coronavirus wave that's pointing to a dark winter.

It's these beaten-up stocks with swollen yields that I'd look to scoop up before fear and panic have a chance to turn into greed and hope, as they did last Monday when Pfizer dropped the bombshell news on its 90% effective COVID-19 vaccine.

A tale of two battered REITs

Consider shares of my favourite retail REIT **SmartCentres REIT** (TSX:SRU.UN) and a European-focused office play **Inovalis REIT** (TSX:INO.UN), which sport bountiful yields of 7.8% and 10.2%, respectively, at the time of writing.

SmartCentres REIT

SmartCentres sounds uninvestable, given the damage that the coronavirus crisis has done to brick-and-mortar retailers and the massive adaption of e-commerce. Many tech-unsavvy folks have embraced digital kingpins like Shopify, and many of them aren't going to be bringing their business back to the local shopping mall.

While it's easy to conclude that the death of the shopping mall is imminent, I'd argue that the bearish outlook is overblown beyond proportion, especially when it comes to higher-quality shopping centres like SmartCentres. Let's face it; the pandemic is just salt in the wounds of the already ailing shopping centres. While many U.S.-based malls won't reopen once this pandemic ends, Canadian SmartCentres won't be one of the victims. Why? The REIT's retail tenants are far too good. They're mostly comprised of essential retailers, many of which have demonstrated resilience in the face of the latest e-commerce shift.

SmartCentres sported a yield north of 9% when I backed up the truck on shares. After the latest post-vaccine-news pop, the 7.8% yield is far less bountiful but is still worth locking in, given rent collection was approaching normalized conditions before the second wave hit. Given its relative cash flow resilience versus most other REITs, I'd say the distribution will survive the next wave and that shares could soar with normalcy just around the corner.

Inovalis REIT

Another misunderstood REIT is Inovalis, which is a French and German office play. As you've probably heard, some workforces aren't returning to the office once this pandemic concludes. Given many firms are locked into long-term leases and the fact that much is lost in home-based work environments, I'd be willing to argue that a majority of firms would embrace a work-from-anywhere type of model. And that still implies demand for office space.

Moreover, Europe's office culture is far more different than in North America. And I think the social aspect will ultimately lure firms back to the office once it's safe to venture outside again without running the risk of contracting the insidious COVID-19.

If you're like me and are skeptical over the "death-of-the-office" thesis, now is as good a time as any to scoop up shares of a name like Inovalis. Yes, a 10.2% yield is high. However, when you weigh the REIT typically has a high approximate 8% yield by design, it becomes more apparent that the REIT boasts one of the safer double-digit yields out there amid this crisis.

While no double-digit yield is 100% safe, I think Inovalis's payout is the closest thing to safe as you'll find on the TSX these days.

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TICKERS GLOBAL

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