Passive-Income Investors: 1 Top Canadian High Yielder to Buy

Description

Canadian passive-income investors still have a lot of options out there on the **TSX Index**. Despite the vaccine rollout and likely return to normalcy by year's end, many high-yield securities have still yet to recover from the coronavirus crash, leaving their yields still on the swollen side. While the opportunity to scoop up 8-10% yields alongside a shot at timely double-digit percentage gains have come and gone, I still think there's incredible value to be had with some of the more beaten-down dividend payers out there.

While the price of admission into such names has gone up considerably in recent months, I'd argue that the risk/reward scenario has never been better now that we've got more clarity with the vaccine rollout and the possibility that this third wave of COVID-19 cases is the last.

High yields for passive-income investors

For beaten-down REITs, rent-collection rates have already begun to normalize. The closer we get to the end of this pandemic, the safer (and smaller) the handsome distributions or dividends of such REITs will appear. While there are still risks, especially with the hardest-hit real estate sub-industries, most notably office and retail, I think the rewards far outweigh the risks at this critical market crossroads.

Moreover, the hard-hit firms and REITs that axed their payouts last year will likely be in a position to reverse such cuts with very generous hikes, as more evidence of a full recovery sets in.

Buying battered REITs ahead of the great return to normalcy

Over time, as AFFOs (adjusted funds from operations) creep closer towards pre-pandemic levels, names like **H&R REIT** (TSX:HR.UN) may be in a position to double their distributions if all goes well in the post-COVID environment and leases don't go unrenewed, as many passive-income investors may have feared during worst of the crisis.

Could H&R REIT's modest 4.5%-yielding distribution be in a position to grow at an incredible rate over the next three to five years? I'd bet on it. H&R is a diversified REIT with a heavier weighting towards office and retail space, both of which have been decimated by COVID-19 lockdowns.

Once the economy reopens and it's safe to venture outside, many workforces will either adopt a hybrid work-from-anywhere (WFA) model, or employees will be forced to come back into work. While some office demand is to be permanently tarnished by the pandemic, I think that the magnitude of such damage has been overblown beyond proportion such that any modest reversion to the mean could send H&R REIT surging much higher.

Betting on a return to the office

Many remote workers are probably worried that they'll be at a disadvantage to their peers that choose to return to the office. In a recent *CNBC/SurveyMonkey* workforce survey, over half of workers believe that those who come into the office will have more room for career advancement.

I think the survey reveals that the office as we know it (at least those outside of downtown Calgary) are not dead and that passive-income investors ought to be nibbling away at their favourite office REITs while their yields are still swollen.

Foolish takeaway for Canadian passive-income investors

Google will reportedly allow 20% of its employees to telecommute. If I had to guess, many salaried workers who can work remotely will choose to go into the office once it's safe to do so to gain an edge over peers in a wildly competitive environment.

So, take any "death-of-the-office" commentary with a fine grain of salt. Office real estate isn't dead. I think it will boom again on the other side of this pandemic.

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