4 Top Canadian REITs to Buy for Passive Income

Description

Canadian REITs have been pretty slow to recover from the market meltdown of 2020. Many still sport yields that are on the higher end of the spectrum. With the economic reopening underway, I think such distributions ought to be scooped up before they have a chance to be compressed further.

Without further ado, let's have a look at four top Canadian REIT picks from across the board.

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) was one of the most resilient REITs through the worst of the COVID-19 pandemic. The owner and operator of strip malls across the nation was fortunate to have housed so many essential retailers. Moreover, many tenants forced to close their doors also had rock-solid balance sheets, allowing them to make rent with ease.

With rent-collection rates flirting with normalized levels, I find it absurd that SmartCentres REIT is still off 9% from its 2020 highs. Undoubtedly, SmartCentres REIT has been punished for being a retail REIT, one of the worst places to be amid the pandemic. However, as restrictions are gradually lifted, I suspect more investors will look to reach for the yield +6% yield to give their passive-income streams a raise.

H&R REIT

H&R REIT (TSX:HR.UN) is a diversified property play with a heavier weighting in office and retail, both of which took on a brunt of the damage from the pandemic. The REIT has been steadily climbing back in recent weeks, but shares remain a country mile (nearly 30%) away from their 2019 highs. Unlike Smart, H&R was forced to take its distribution to the chopping block. Although the 4.2% yield is on the lower end, it's worth noting that the REIT could be in for some generous hikes as the world inches closer towards normalcy and rent collection recovers further.

The digitization of work trend could impact the number of people returning to the office. As a result, office space demand could take a permanent hit, and H&R REIT may take a lot longer to hit its pre-pandemic highs. In any case, shares look severely undervalued with room to run into year's end.

Killam Apartment REIT

Killam REIT (TSX:KMP.UN) is a growthy residential REIT with a juicy 3.5% yield. It also happens to have better fundamentals and a lower valuation than some of its peers in the space. The REIT, which specializes in residential and mixed-use properties on the Atlantic coast, has done a terrific job of mitigating pressures amid the worst of the pandemic.

As lockdowns lift and the REIT gets back to doing what it does best, I suspect Killam will continue to outperform the broader TSX Index by a wide margin, thanks in part to the exceptional stewards running the show who know how to unlock long-term value like few others in the REIT space.

Inovalis REIT

Inovalis REIT (TSX:INO.UN) is a TSX-traded security that's a play on office real estate in the French and German markets. The REIT is not only a great way to diversify into Europe without having to gain access to European stock exchanges, but it's also one of the best ways to score big but safe passive income.

The REIT sports a juicy 8.3% yield, which is pretty much in line with historical averages. The REIT has a high yield by design, but investors shouldn't expect much in the way of capital gains, unless we fall into another horrific crisis, which Inovalis should be quick to recover from.

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2. TSX:INO.UN (Inovalis Real Estate Investment Trust)
3. TSX:KMP.UN (Killam Apartment REIT)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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