TFSA Investors: 3 High-Yield REITs to Buy and Hold Forever

Description

TFSA investors have a lot of value options in the REIT space these days. Many of the harder-hit REITs are continuing to climb out of their 2020 depths, making them worthy buys ahead of a return to normalcy.

In this piece, we'll have a look at three of the most compelling high-yield REITs on the TSX.

Killam Apartment REIT

Killam Apartment REIT (TSX:KMP.UN) is a growth-oriented residential REIT with a portfolio of over 17,000 units — a majority of which are located in Atlantic Canada. The REIT is incredibly well run, with a growing portfolio in the province of Ontario.

The REIT recently reached an agreement to scoop up properties in the Kitchener/Waterloo region in a deal worth $190.5 million. The deal should give NOI (net operating income) a very nice boost. As such, TFSA income investors can expect a good amount of distribution hikes over time.

Fellow Fool contributor Chris MacDonald is a pretty big fan of the REIT, going as far as calling it his top TSX income play for June.

"This is one of the steadiest REITs in terms of cash flow growth in the sector." MacDonald wrote. "I think more deals could be on the horizon for this smaller player. Currently, the company's total portfolio is worth approximately $4 billion. More deals on the horizon could significantly boost returns for investors over time."

MacDonald is right on the money. With a perfect blend of income (3.3% yield) and capital gains (shares up 67% over the last five years), Killam ought to be atop the radar of growth and TFSA income investors alike.

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) is my favourite REIT on the TSX. I own shares and will continue to accumulate over time and on any weakness. Undoubtedly, SmartCentres is a contrarian play on retail real estate, specifically strip malls. Unlike most other retail REITs, Smart has held its own ridiculously well, thanks to its **Walmart** anchor and many essential retailers that SmartCentres housed.

With rent-collection rates near normal, I think investors should be backing up the truck on the 6.2%-yielding distribution before shares surge such that the yield compressed closer to the 5% mark.

Moreover, SmartCentres' longer-term growth trajectory is encouraging. The REIT is diversifying into residential-retail properties, which should allow shares to be re-valued slightly to the upside. In any case, SmartCentres has some of the smartest managers running the show, and for that reason, shares should be nabbed by long-term investors who are hungry for passive income.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) is a growth REIT that I believe is a fine pick for younger TFSA investors, many of whom have shied away from the space in favour of growthy equities. You see, REITs aren't just for retirees. CAPREIT is a great REIT that's enjoyed far more capital appreciation than most equities out there, with 85% in capital gains posted over the past five years and a growing 2.33%-yielding distribution.

As inflation picks up, CAPREIT is one of few REITs with enough pricing power to increase rents without taking a significant hit to its occupancy rates. With properties in white-hot Vancouver and Toronto markets, CAPREIT has the freedom to jack up rents at its discretion. In such markets, it's tough and expensive to be a renter. But for CAPREIT shareholders, it's a great spot to be in.

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

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Date
2025/08/24
Date Created
2021/06/22
Author
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