Passive Income: Things Are Looking Up for These 2 High-Yielders

Description

Passive income investors have plenty of options across a wide range of discounted high-yielding assets, many of which have yet to recover from the coronavirus crash that struck last year. Sure, the **TSX** and **S&P 500 Composite Index** have all but recovered, but many high-quality dividend plays are still off considerably from their highs despite the accelerated vaccine timeline, which, I believe, puts the pandemic's end in sight.

Without further ado, let's have a closer look at two high-yielding REITs (Real Estate Investment Trusts) in **H&R REIT** (TSX:HR.UN) and **SmartCentres REIT** (TSX:SRU.UN), which sport yields of 4.3% and 6.2%, respectively. Both plays are compelling options for those seeking more passive income for less.

H&R REIT

H&R REIT is a diversified basket of wonderful income-producing properties. Shares of the top Canadian REIT felt a brunt of the damage during last year's vicious market crash. The REIT had to reduce its distribution, but as conditions improve, I do think patient shareholders will be in a spot to be rewarded with very generous distribution hikes that may very well reverse the cut induced by COVID-19's impact.

The REIT recently had its annual meeting, and management sounded pretty upbeat about the future. Retail leasing activity is increasing, thanks in part to the lifting of pandemic restrictions. Undoubtedly, retail real estate took a major hit during the worst of the lockdowns.

As the tides turn and things return to normal, I expect retail will continue to bounce back and propel H&R REIT back toward its 2019 levels.

Similarly, residential properties showed signs of recovery, with occupancy flexing its muscles. Recent trends suggest things are looking up for H&R en route to normalcy. And I expect shares are in shape to recover back to the low-to-mid $20 range over the next 18 months.

SmartCentres REIT

Speaking of retail real estate, SmartCentres REIT may be the most resilient player of them all, at least on this side of the border. Despite COVID-19 lockdowns, Smart was able to keep its distribution intact, thanks in part to the high calibre of tenants it housed.

Anchored by Walmart and other essential retailers, SmartCentres had a much easier time weathering the worst of the pandemic than many of its peers that saw rent collection rates plummet.

SmartCentres took a relatively modest hit on the rent collection front. That said, Smart has come a long way since the ominous depths of last year. Although Smart doesn't have as much room to increase its distribution or bounce back as the likes of an H&R REIT, I still think SmartCentres is a terrific all-weather option for investors seeking a high yield, but are also wary of future COVID-induced lockdowns.

With rent collection rates inching ever so closer to normal, I think investors would be wise to punch their ticket today before the yield has a chance to shrink to or even below the 5% mark. SmartCentres has a smart long-term strategy to diversify from pure-play retail into mixed-use properties. I think such a plan will warrant a big correction on the upside.

In the meantime, SmartCentres is a best-in-breed retail REIT with one of the most attractive payouts out there.

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Author
joefrenette