TFSA Investors: 3 REITs to Own for High Cash Flow Over Low Rental Yields

Description

Is the housing market close to a comedown in the first quarter of 2022? **Royal Bank of Canada's** senior economist Robert Hogue thinks otherwise. He said, "Canada's housing market isn't about to buckle." While it will cool a bit, industry experts and other economists still expect tremendous activity this year due to supply shortages and unmet demands.

On the investing side, buying investment properties at this time might not be a good idea. Prices have gone sky high that even potential buyers are walking away. It doesn't make sense anymore to have large mortgage debts.

Invest in stocks over real estate

Tidefall Capital president Trevor Scott is aware of stock market risks, but he'd invest in stocks rather than purchase a home in Canada. He said, "The advantage of Canadian stocks today is their high free cash flow yields relative to interest rates." Scott added that it's the opposite of real estate, where rental yields are at record lows. Thus, renting is attractive.

Tax-Free Savings Account (TFSA) investors with short- or long-term goals can consider using their 2022 limits or contribution rooms to purchase real estate investment trusts (REITs). The asset class continues to rise in popularity due to generous dividends. Three real estate stocks are top-rate choices if you want higher income streams.

High, stable occupancies

NorthWest Healthcare Properties (TSX:NWH.UN) is more than a reliable passive-income provider. It's the only REIT in the cure sector, so the rental business should endure for years, if not for decades. The $2.92 billion REIT owns and operates healthcare real estate infrastructure such as medical office buildings, hospitals, and clinics.

Besides Canada, the income-producing properties are in Australia, Brazil, New Zealand, and Europe.

The indexed leases with prominent tenants or hospital operators are long term. Currently, NorthWest enjoys high, stable occupancies. At $13.41 per share, the dividend yield is 5.97%.

Robust fundamentals

Dream Industrial (TSX:DIR.UN) is a solid investment prospect, because of the e-commerce boom and ever-increasing demand for high-quality industrial properties. This $3.68 billion REIT owns and operates 326 industrial properties across Canada, the United States, and Europe. At only $16 per share, you can partake of the 4.37% dividend.

Operating income and net income has been increasing consistently from 2018 to 2020. Management has yet to report its 2021 results, although the run rates are exceedingly higher than in the prior year. Because of the robust fundamentals of industrial real estate, Dream maintains secure cash flows every year.

Inovalis is pure income stock for its ultra-high 8.34% dividend yield. At $9.88 per share, the trailing one-year price return is 23.32%. This $315.26 million REIT focuses on office properties in France and Germany. While total revenue has been growing consistently, net income fell 50.1% in 2020 versus 2019 due to fallout from the global pandemic.

Management expects to report vastly improved top and bottom-line figures in 2021. Based on estimates, year-over-year net income growth is 101%. According to Inovalis president Stephane Amine, its well-defined strategy is showing early signs of success. Apart from France and Germany, the REIT might pursue exciting investing opportunities in Spain.

Keep up with inflation

Earning tax-free passive income through the TFSA is a must in 2022 if you want to keep up with inflation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:INO.UN (Inovalis Real Estate Investment Trust)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/08/25
Date Created
2022/02/04
Author
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