Fight Inflation With This Canadian REIT's Massive 9% Yield

Description

The broader markets are in a weird spot after churning for the first quarter, and many beginner investors are likely at odds about what to do with their spare cash on the sidelines. On the one hand, there's market volatility that could lead to big losses at the hands of Mr. Market over the near term.

With a 2023 recession a growing possibility, it may be a wise idea to just wait for the storm that's supposedly on the horizon to pass before putting a bit of money to work.

On the other hand, there's inflation. It's high, and it continues to get higher each CPI report. Eventually, inflation will peak, but the penalty for holding too much cash will likely remain elevated.

Indeed, we're all too used to the days of inflation in the tame 1-3% range. Are those days over, even as central banks look to rate hikes, with a half-point raise possible next month?

Probably not. But it could take many quarters before inflation is brought back down to more manageable levels. Further, there's always the risk that inflation could remain above 5% for years to come. For conservative investors, there's a strong incentive to take more risk in the equity markets. Inflation may be a foe of investors, but it's an even bigger foe to savers or those who aren't inclined to take on any risk with their wealth.

Inflation is here: It's time to fight back with high-yield investments

Undoubtedly, many "safe" investors have looked to alternative assets: **Bitcoin**, precious metals, real estate, real assets (like art and collectibles), infrastructure, commodities, and all the sort. They're intriguing investments to help you soften the blow of inflation. But are they really the best place to be after their recent run-up?

Commodities have been hot, perhaps too hot for most to handle. Bitcoin remains highly speculative and more volatile than the stock market. Real estate may not be as safe as it seems, as rates look to rocket higher. Indeed, it's a tough place to be in for investors these days.

Fortunately, the ultimate weapon against inflation may lie in the stock market. Arguably, they're still the best way to grow your wealth on an inflation-adjusted basis. While I'm not against diversifying with alternative assets, I still think dividend stocks are among the most compelling plays in this rather confusing, inflationary world.

Inovalis REIT (TSX:INO.UN) is one intriguing high-yield play I'd look to as inflation continues to weigh on our purchasing power.

Inovalis REIT: A colossal 9% yield that's safer than you think!

Inovalis is a European office real estate investment trust with a huge distribution yield, standing at a towering 9.2% at writing. To the surprise of many, the payout is actually sustainable. Shares are down around 20% from their high. Though the +9% yield seems stretched, it's worth noting that the normalized yield lies in the 8% range. That means the high yield is by design. Still, investors won't get much in the way of capital gains through normal conditions. Shares have essentially flatlined for the years leading up to the COVID crash.

Though office real estate demand is unlikely to recover to pre-pandemic levels anytime soon, I think that any further COVID resurgences could bring forth an opportunity to nab a 10% yield from the name. The French and German office markets seem more durable than in the U.S. or Canada, given such nations may not embrace remote work with open arms once COVID finally goes away.

In any case, INO.UN is an intriguing real estate play whose yield can help you navigate the inflationary storm. Just be ready for volatility.

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