A Cheap Canadian REIT to Help Your TFSA Survive Inflation

Description

Your TFSA (Tax-Free Savings Account) is a very powerful tool for Canadian investors, young and old. Unfortunately, a lot of Canadians aren't using it as effectively as they could. That means making contributions regularly (Canadians are allowed to top up $6,000 per year) and using the proceeds to invest wisely.

Undoubtedly, many TFSA users are likely holding considerable amounts of cash in savings or less-rewarding investments like GICs (Guaranteed Investment Certificates). With so much volatility in the S&P 500 and Nasdaq 100, it's not a mystery as to why many TFSA investors may wish to steer clear until things have a chance to settle down. There's a lot of concern with the macro environment. And the last thing new investors wants to do is see their TFSA shed considerable amounts of their value over a month-to-month basis.

REIT distributions to help TFSA investors combat +6% inflation in Canada

With recent Canadian inflation coming in at over 6% (over three times the annual inflation many of us are used to), the so-called inflation "tax" will punish savers accordingly. While you won't lose money by parking cash in a TFSA, the only thing that's guaranteed these days is a loss of purchasing power in my opinion.

It's about time that TFSA investors start thinking about their "real" wealth, taking into account the effects of inflation. Remember, if you come out short on inflation, you're effectively seeing the purchasing power of your nest egg be reduced, even if it grows modestly in a sub-2% savings account.

In this piece, we'll have a look at one of the best REITs that I'd look to buy to offset the horrific impact of inflation. Consider **H&R REIT** (TSX:HR.UN), a diversified REIT that's struggled to climb out of the brutal coronavirus plunge that saw shares lose over 63% of their value from peak to trough.

H&R REIT

H&R REIT is a diversified REIT, with a considerable weighting in office exposure. Undoubtedly, the pandemic-induced rise of hybrid and remote work is working against the REIT. Even if the pandemic were to end sooner than expected, the recovery trajectory for office real estate is unlikely to hit pre-pandemic levels any time over the next 18 months. Indeed, the future of office space remains a huge question mark, as workforces embrace working from home and the added savings of not having to spend considerable sums to rent large office spaces.

It's not all about office space, though. H&R has exposure to other sub-industries. But for now, the fate of the office is a major overhang on shares. Fortunately, H&R has taken steps to lighten the load in offices, with the sale of Calgary's massive $1.67 billion Bow Tower. While I'm not the biggest fan of the sale, I think H&R is en route to becoming even more diversified, striking for the optimal balance of commercial, retail, and industrial. The 3.9% yield is bountiful, as too is the capital-appreciation potential over the next few years, with shares still stuck in the rut it fell into during the 2020 market crash.

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joefrenette