2 Top REITs for Big Passive Income

Description

REITs (real estate investment trusts) have been on quite a wild ride since the pandemic struck back in the early innings of 2020, but for passive-income seekers, there remain a tonne of reasons to get behind the ones that are still coping with the new normal.

Indeed, it's not a good idea to assume that the pandemic will end out of the blue. Many thought it would have ended already, but it's still a major concern, with a wide range of variants that are still out there. Still, Canada and America have adapted to this new normal. With so much innovation, it is possible to make it through outbreaks without having to put the economy on the line.

Undoubtedly, COVID does not bode well for various forms of real estate — most notably, commercial real estate. Arguably, the biggest victim of the pandemic has been office space. While many people will return to the office between outbreaks, a considerable number of employers will opt to be remote only or hybrid. That means less demand for office space and a potential sore spot for those overinvested in the office-heavy Canadian REITs out there.

Retail REITs are another sub-segment that has been pained of late. Unlike offices, I think retail could do incredibly well in the new normal. Finally, we have residential, which seems to be most robust of the three REIT sub-industries mentioned.

You'll pay more for the residential and less for office. But the sweet spot may lie in diversified REITs. In this piece, we'll look at two REITs that are among my favourite this April to buy for passive income.

Consider **SmartCentres REIT** (TSX:SRU.UN) and **Canadian Apartment Properties REIT** (TSX:CAR.UN).

SmartCentres REIT

Smart is a retail REIT behind the SmartCentres located across various Canadian communities. The owner of strip mall properties deserves a gold star for its resilience through pandemic lockdowns. Its tenants weren't in as much trouble as expected (at least a vast majority of them). With rent-collection rates pretty much near normal, I'd look for investors to move on from COVID headwinds and onto the firm's growth plans moving forward.

Smart wants to diversify into residential. As it does, its quality of funds from operations (FFOs) could increase, as too will the REIT's valuation. Further, I think there could be some symbiosis to be had as Smart looks to strategically mix the two types of property together. In prior pieces, I've highlighted Smart's intriguing retail-residential plans, which I think are potential drivers of the share price over time.

Today, the REIT yields 5.63% and can serve as a great help to keep you from losing ground to inflation, which recently eclipsed 6% in Canada.

Canadian Apartment Properties REIT

CAPREIT is the gold standard as far as residential real estate is concerned. It's a pure play, and it's one of the best out there, given its enviable exposure to some of the hottest Canadian real estate markets on the planet. Its Vancouver exposure, in particular, is a source of great strength. The market has a shortage of affordable rental units, and the problem seems to be getting worse because of the pandemic.

Indeed, CAPREIT can hike its rents easily without inducing an uptick in vacancy rates. Though management is of high quality, CAPREIT just happens to be in the right places at the right times. By operating in markets where demand heavily outweighs supply, CAPREIT has considerable pricing power and the ability to move through an inflationary storm.

At writing, CAR.UN yields 2.8%. That's not a huge yield, but it's on the higher end of the spectrum following the REIT's recent correction to $52 and change per share. I think the dip is buyable for prudent investors seeking a REIT with a stock-like chart and growth potential!

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Date
2025/08/22
Date Created
2022/04/24
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