Passive Income: 1 Safe REIT to Buy in May and Go Away

Description

Passive-income investors have a lot of places to look these days, with markets remaining incredibly volatile. Undoubtedly, there aren't too many places to hide these days, with some REITs also following the broader TSX lower. It's these such high-yield REITs that I think may be worth a second look, as their yields tend to swell on dips. Indeed, buying dips can be scary for conservative REIT investors. But for those hunting down greater passive income, buying overblown pullbacks may be the key to long-term success for those looking to have their cake (a big yield) and eat it, too.

Now, rates have been giving investors across the board a bit of anxiety. And who can blame them? The U.S. Federal Reserve has sounded hawkish of late. Even if they wanted to be more dovish, inflation leaves them with limited wiggle room.

The Fed is cornered by inflation: High-yield REITs are still great buys for May

Though Chairman Jerome Powell is historically more of a dove, the pace of inflation is not giving the man much room to pull back on rate hikes moving forward. Undoubtedly, 2018 saw a selloff at the hands of an overly hawkish Federal Reserve. Powell doesn't want a repeat of the bear market in the S&P 500. Still, his options seem more limited this time around, as inflation looks to break 8.5%.

While nobody knows when inflation will peak, I think markets could receive a nice jolt once they do. As high as inflation is, a sharp pullback in response to rate hikes could pave the way for a pathway right back to new highs. Though a quarter-point hike is unlikely to do it, I would look for the alleviation of supply chain woes and a change in consumer behaviour to influence the rate of inflation in coming months. This alone could allow the Fed to maybe have a slightly more dovish stance, with enough wiggle room to continue on with just quarter-point hikes, perhaps after a half-point hike in May.

Passive-income investors: A Smart REIT with a smart game plan

Higher rates don't bode too well for REITs, given higher rates can weigh on the price of real estate. In any case, I view unique retail-focused REITs like **SmartCentres REIT** (TSX:SRU.UN) as compelling at this juncture.

SmartCentres REIT is one of my favourite REITs, and for good reason; it's pursuing projects that should improve its quality of cash flows. Now, it may be moving into the residential arena. But don't think for a second that it's leaving retail behind. If anything, the REIT strives to find the perfect balance of retail and residential. Undoubtedly, a residential property can be worth more if there are great amenities nearby or grocery stores. Similarly, a retail property may command higher rents from prospective tenants if there are ample potential customers in close proximity.

Smart isn't just moving into residentials to appease shareholders. They're planning something special as new projects mirror some sort of master-planned community. I'm a big fan of the trajectory and would look to nibble away at shares on any pullbacks.

With shares sporting a yield just below 6%, I wouldn't hesitate to jump in, as the REIT could offer a good mix of capital gains and distribution increases for long-term shareholders over the coming years.

I personally own shares and would relish the opportunity to pick up more at below $32.

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