2 Dirt-Cheap REITs to Stash in Your TFSA

Description

REITs (real estate investment trusts) are a great place to be if you want passive income minus all the volatility that's typically of the broader stock markets. Though higher rates have caused a bit of pressure on some of the top REIT plays in Canada, I think that a big chunk of the woes are baked in. The recent slump in share prices of certain REITs could spell opportunity and a slightly higher yield versus that of historical averages!

Buying high-yield securities has its perks; you can get more yield per invested dollar. That said, it's your job to do the homework and evaluate the sustainability of a firm's payout. Nobody wants to chase a swollen yield, just to be hit with a distribution or dividend cut. Payout cuts are painful on their own, in that you won't get the income you were initially promised. To add more salt to the wounds, shares of firms that conducted such cuts tend to sink lower, as income investors move on.

More yield for your buck with sold-off REITs

Indeed, chasing yield is a bad idea. However, if there's nothing fundamentally wrong with a REIT's adjusted funds from operations (AFFOs) and vacancy rates are doubtful to soar, you may have a bargain on your hands. In times of broader market panic, the best deals tend to present themselves. In early 2020, when the stock market crashed over 30%, nearly everything went on sale. It was a scary time. And investors did not have much time to act! It took one announcement from the U.S. Federal Reserve, and securities never looked back as they bounced higher.

This time around, investors should be ready to pounce on opportunities they see fit because, like it or not, such deals may not be around tomorrow or the day after.

Granite REIT (TSX:GRT.UN) and **H&R REIT** (TSX:HR.UN) look like great high-yield REITs to look at today.

Granite REIT

Granite REIT is an industrial REIT that's acquired its way to a nice portfolio of logistics and warehouse properties over the years. The REIT owns 134 properties, with nearly 56 million square feet. Even better, over 99% of its properties are occupied. That's impressive. The REIT, which still houses assets of a top Canadian auto-parts maker, has been under a bit of pressure of late, falling to $89 and change. The 16% plunge in the REIT is excessive, making it a top value pick for investors seeking a rich yield alongside long-term gains potential. At writing, shares yield 3.5%.

The REIT operates in North America and Europe, with rent growth that seems to be on the uptrend. Though a recession could drag shares lower, possibly to $80 per share, I think that GRT shares have become too cheap for their own good.

H&R REIT

H&R REIT is one of the largest REITs in the country. It's well-diversified across property types. Undoubtedly, office and retail have been a weak spot amid the pandemic. After having conducted some asset sales, the overall mix of H&R is somewhat better.

Still, shares could struggle to rebound to pre-pandemic highs anytime soon. That's just the nature of office and retail these days. With the rise of people working from anywhere, office space simply is not the place to be right now. Still, H&R is cheap, with a juicy 4.2% yield and low expectations, making it a compelling contrarian play for those who wouldn't mind going against the grain.

CATEGORY

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Author
joefrenette