2 Promising REITs With Yields Over 6%

Description

The REIT (real estate investment trust) scene has been a bit rocky of late, with investor fear over the U.S. Federal Reserve rate hikes that are to come. Given the Fed's comments, it seems like they're ready to stomp out inflation at any cost. While a recession is looking likely, it's clear that the Fed is no longer the same dove it was during the abyss of March 2020.

There's no easy way to engineer a soft landing. Asset prices just have to take the hit to the chin. With popular REITs nosediving recently, I believe yield seekers have plenty of opportunities to get a little bit more yield for their invested buck.

While nobody knows when the REIT market will bottom out (probably when stocks stop nosediving), I think the swelling distribution yields should be more than enough reward for nibbling on the way down.

Without further ado, consider shares of **SmartCentres REIT** (TSX:SRU.UN) and **Automotive Properties REIT** (TSX:APR.UN), which currently yield 6.5% and 6%, respectively, at the time of writing.

SmartCentres REIT

SmartCentres REIT is a retail property play that just suffered a 16% dip to $28 and change per share. With a 6.5% yield, the REIT offers nearly a full percentage point of yield than it did during its peak. Undoubtedly, the magnitude of risks has increased. Markets are in turmoil, and there haven't been many places to hide from the volatility storm.

With the ongoing pandemic, why would anyone want to get back into retail REITs? SmartCentres is likely one of the highest-quality retail property plays in Canada, with 114 of the REIT's locations anchored by a **Walmart**. With an ambitious pipeline of residential projects, Smart seems on track to become a better, more diversified REIT over time. Though residentials won't move the needle overnight, they will five to 10 years from now. In any case, I view the 6.5% yield as safe and ripe to pick for passive-income investors.

Automotive Properties REIT

Automotive Properties REIT is a 6% yielder that recently slipped into a correction on the back of the broader market pullback. The cash cow has long-term leases with auto dealerships all around the country. Though a recession could take the edge off the auto markets, investors need not fear, given many dealerships have signed leases for the long haul. Indeed, some of the leases extend all the way through 2040!

Though APR.UN shares could get hit further as a part of the broader market pullback; I'd view any such dips as a great buying opportunity. Perhaps a further pullback could stretch the yield above the 7% mark again for the first time since the depths of the coronavirus crash.

In any case, the intriguing auto-dealership REIT strikes me as a magnificent long-term hold for passive-income seekers. The distribution is incredibly safe and could be subject to growth as the REIT looks to pursue opportunities to bolster FFOs moving forward.

The Foolish bottom line

REITs have been slammed, but many did not deserve to be. Automotive Properties and SmartCentres are two standout plays with yields north of 6% that seem too cheap to ignore.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/06/29
Date Created
2022/05/15
Author
joefrenette