Passive-Income Creation: 2 Top Picks to Consider Buying Today

Description

Passive-income investors have a lot of names to look through after the market bloodbath experienced over the past few months. Yes, it's easy to focus on the negatives, especially if you were a net buyer of stocks or bonds in the first half of this year, or worse, the back half of 2021. Regretting prior purchases will do you no good today.

You must focus on the road ahead and look to position yourself in a way to maximize your gains relative to the risks you will take on. At the end of the day, investing is a game about balancing upside potential with risk. It's not an easy game to master, especially if you're a market newcomer who's inclined to follow the herd all the way to the peak and all the way to the trough. Sadly, the trough tends to have a far lower price than what your average retail investor paid in 2021, especially when it comes to growth names.

In the long run, stocks tend to recover and move upward in conjunction with earnings. Though it seems like you were a fool (that's a lower-case *f*) for buying at or around the peak, you may actually be right from the perspective of a long-term investor. Remember, it's the long-term horizon that matters most, not the choppiness of the path en route to your retirement.

With inflation creeping higher and stock valuations moving lower, the case for putting cash into stocks, REITs, or other risk-on assets is improving. Indeed, investors should feel far better about putting money into securities today compared to January.

We not only have lower valuations and prices, but we also have higher yields in various high-yielding securities. As shares fall, their yields rise. In this piece, we'll check in with two high-yield REITs worth nibbling at after their recent dips.

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) is my favourite REIT, and I'm very tempted to add to my position after its latest 18% flop. The retail REIT may not get much respect from retail investors for its sub-industry. Retail stinks, especially given we're still in a pandemic. However, only when you look underneath the hood of Smart do you discover how resilient the strip-mall REIT is. Smart held its own during 2020 lockdowns, and it will persevere through a coming economic slowdown.

With quality, healthy tenants, and a plan to diversify into residential real estate (which could enhance the quality of cash flows), Smart's 6.72%-yield distribution seems safe and sound. As shares continue to wane, the yield could break the 7% mark again, opening up a window of opportunity for passive-income investors to lock in the higher yield alongside swift gains come the next relief rally.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) is another very high-quality REIT that passive-income investors should think about grabbing while it's down and out over macro fears. Unlike Smart, CAPREIT sports a modest 3.3% yield, a rate comparable to GIC (Guaranteed Investment Certificate) interest, a bond, or a blue-chip dividend stock.

CAPREIT is a growth-focused REIT with prime real estate in some of Canada's hottest housing markets. Though higher rates and an economic recession have weighed on shares of late, I think the woes are overblown. At the end of the day, CAPREIT has pricing power in some of the hottest rental markets on the planet. Down around 31% from peak to trough, the well-run REIT is flirting with 2020 lows. I think the name is a gift, even if the outlook is grim.

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