2 Cheap High-Yield Canadian REITs to Buy for Passive Income

Description

Canadian REITs have plunged with the broader **TSX Index** during the current market correction. This gives income investors who are seeking high-yield passive income a chance to buy the REITs at discounted prices.

RioCan REIT

RioCan (TSX:REI.UN) primarily operates shopping malls in six large Canadian cities. The company is also building mixed-use properties at strategic public transit locations, offering rental accommodations above or adjacent to retail space.

The addition of residential assets provides a balanced revenue stream for RioCan and the strategy should pay off in the coming years. People will move back to the city core, as companies increasingly require staff to be in the office for the better part of each week. Quality accommodations located near main transit infrastructure will be in high demand. In addition, more professionals are turning to the rental market as a primary residence due to the high cost of purchasing property. Rental demand could also surge in the next couple of years, as people decide to wait to see how far property prices will fall, or are forced to sell due to rising mortgage rates.

RioCan raised its distribution earlier this year after cutting the payout during the pandemic. The current monthly distribution of 8.5 cents should be safe and provides an annualized yield of 5.2%. RioCan trades for $19.50 at the time of writing compared to $26 in March.

SmartCentres REIT

SmartCentres (TSX:SRU.UN) operates 174 properties across Canada that include retail, office, and mixed-use residential units. The company's major growth initiative is its $15.2 billion Project 512 initiative that will construct rental apartments, condos, residences for seniors, and hotels under the SmartLiving banner. In addition, the development of retail, office, and storage facilities will progress under the SmartCentres brand.

The business continues to see a recovery across its retail portfolio as shoppers head back to malls. New and existing tenants are looking for space to expand their footprint. Funds flow from operations per unit rose 4.1% in Q1 2022 compared to the same period last year. Occupancy remains high at 97% across the assets, providing steady revenue to support the distribution. SmartCentres has a payout ratio to cash flow of 80%, so the distribution should be safe.

SmartCentres trades near $27 per trust unit at the time of writing and provides a 6.8% annualized distribution yield at this price. The units traded as high as $33 earlier this year and maintained a relatively stable pre-pandemic trading range of $30-$35 from 2015 to 2020.

As new developments are completed, revenue growth should drive down the payout ratio and provide opportunity for distribution increases.

The bottom line on REITs for passive income

RioCan and SmartCentres pay attractive high-yield distributions that should be safe. The pullback in the unit prices might overdone at this point, giving investors an opportunity to buy the REITs at a nice discount and get paid well to ride out any potential additional downside.

If you have some cash to put to work in a portfolio focused on passive income, and are underweight real estate in your holdings, these stocks deserve to be on your radar.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan 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. aswalker
2. kduncombe

Category

1. Investing

Date
2025/08/15
Date Created
2022/07/15
Author
aswalker