This Canadian 6%-Yielder's On Sale, But Not for Long!

Description

The REIT (Real Estate Investment Trust) space is full of value and hefty distributions following the bloodbath of the first half. Now that markets have regained their footing, I think many oversold REITs have the means to march higher. Though higher rates don't bode well for the growthiest of REITs (those with more capital gains potential and smaller yields), I still think the negativity and punishment surrounding looming headwinds made apparent in the first half will ease with time.

Though REITs have lower betas, meaning they're less volatile than (or less correlated to) the broader stock markets, the first-half round of selling seems to have impacted shares of popular Canadian REITs more than they should have. When there's panic and fear in the hearts of investors, even less-volatile assets can turn volatile. After the second major sell-off in just north of two years' time, I think passive income investors would be wise to average down on any dips and not pay too much merit to those steep day-to-day moves.

Let's have a look at one high-yielding REIT that's great to buy and hold for the long run. Though its shares may not recover ground as quickly as a stock, its swollen payout can help finance a fairly bountiful passive income stream.

Without further ado, consider shares of **SmartCentres REIT** (TSX:SRU.UN) after the recent barrage of volatility.

SmartCentres REIT

It's not a mystery that SmartCentres is one of my favourite REITs. The retail REIT is behind many **Walmart**-anchored strip malls across the country. In many instances, SmartCentres are located in fairly suburban areas, making them one of the most convenient ways to get shopping done.

Now, the rise of e-commerce is seemingly a headwind for brick-and-mortar retailers. Cleverly, Smart has embraced the rise of digital with Penguin Pick-up and various retailers that make good on the experiential factor of physical retail.

Digital commerce isn't going anywhere, especially as COVID re-emerges. However, as Smart continues to benefit from Walmart and many other strong Canadian retailers, I simply do not see surges in vacancy rates like what was expected during the depths of 2020.

Smart's resilience has been put to the test

Smart has strong tenants, and if a few happen to miss monthly rent or go under, Smart will probably have little issue finding new tenants. Many retailers would love to be near a Walmart, given how much traffic the retail behemoth generates. In any case, Smart is a robust high-yielder that's on the right track. Sure, it's a retail REIT, and they're not hot right now. That said, there's no denying the value to be had in shares or the sustainability of the payout.

Further, Smart is getting into the residential and mixed-use real estate game. Its SmartVMC (Vaughn Metropolitan Centre) is doing quite well. Though condo sales could slow further as rates rise, so I remain incredibly bullish.

The SmartREIT of the future will look a heck of a lot different than the one we've grown accustomed to.

At writing, SRU.UN shares trade at 1.0 times price-to-sales (P/S) and 4.9 times price-to-earnings, both at or below industry averages. The 6.15% yield is too good to pass up at these depths, given the intriguing long-term growth plan and the calibre of its top tenant Walmart.

Arguably, Smart is a better (and more bountiful) way to ride on Walmart's coattails.

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