2 Top High-Yielding REITs to Beat Inflation

Description

Canada's inflation rate is declining right now. August saw inflation cool down to 7.1%, which is down from 7.6% in July and 8.1% in June. Despite the cooldown in inflation rates, the Bank of Canada (BoC) might need to introduce several more interest rate hikes before inflation cools to its target range of 2-3%. The interest rate hike is working, and the real estate industry experienced its dramatic impact.

Home prices continue to fall amid rising interest rates. According to a senior economist for the **Bank of Montreal**, falling home prices will impact the rest of the economy.

Canadian investors who prefer buying real estate as investment properties should reconsider their approach because of the possibility of a stock market crash. Recovering from a stock market crash might take longer for the markets due to higher interest rates.

Between the looming threat of a recession and falling real estate prices, investing in real estate might not seem attractive. However, there are two real estate investment trusts (REITs) that can arguably warrant a place in your portfolio for inflation-beating returns.

Slate Office REIT

Slate Office REIT (TSX:SOT.UN) is a $353.57 million market capitalization trust with a portfolio of 55 commercial properties diversified across Canada, the U.S., and Ireland. It is a small-cap REIT but boasts a massive $2 billion portfolio primarily occupied by a high-quality tenant base.

Approximately 67% of its tenants comprise high-credit-ranking companies and government institutions, boasting an 83.6% occupancy ratio. It has a lower ratio of creditworthy tenants and occupancy than bigger REITs but can potentially increase its cash flows.

The company aims to grow by acquiring more assets for discounted valuations, finding more high-quality tenants, and relying on longer lease terms. The REIT is using the dip in real estate prices to make acquisitions and expand its portfolio.

Despite its recent challenges, Slate Office REIT reported an increase of 18% in its rental revenue, and its net operating income increased by 17.8% in the second quarter of fiscal 2022. As of this writing, it trades for $4.41 per share and boasts a juicy 9% forward annualized dividend yield.

True North Commercial REIT

True North Commercial REIT ([TSX:TNT.UN](#)) is a $525.05 million market capitalization trust that also owns an extensive portfolio of commercial properties that it uses to generate rental income.

The biggest strength of this REIT is its high-quality tenant base and long-term leases that secure its revenues. Approximately 76% of its renters are high-credit-rated companies and government institutions across its 46 commercial properties.

The company's financial metrics are strong after the first half of fiscal 2022. It collected 99.5% of its contractual rent.

Its first half financial performance in 2022 saw its net operating income grow by 5% and its revenue grow by 4% year over year. Its occupancy rate remains high at 96%, despite a 1% decline in that period. As of this writing, True North Commercial REIT trades for $5.85 per share and boasts a 9.98% forward annualized dividend yield that it pays out on a monthly schedule.

Foolish takeaway

While inflation keeps cooling down, BoC will likely introduce further interest rate hikes to achieve its target range. Considering the high-yielding payouts of 9% and 9.98% for Slate Office REIT and True North REIT, investing in the two trusts can provide you with monthly passive income to beat the 7.1% inflation.

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