Get Passive Rental Income of up to 9.6%

Description

Real estate investment trusts, or REITs, are companies that own and manage rental properties. Simply buying REITs makes it easy for investors to receive rental income. Many REITs offer above-average yields that are stable and sustainable. If you invest $10,000 in each of the REITs below, you'll receive roughly $192 a month or $2,310 a year.

Global healthcare REIT: 9.6% yield

Northwest Healthcare Properties REIT (TSX:NWH.UN) costs about $8.30 per share and yields 9.6%. It has a portfolio of 122 income-producing properties and 7.8 million square feet of gross leasable area with an occupancy rate of 94%. About 60% of its properties are in Canada, 23% are in Brazil, 10% are in Australasia, and 7% are in Germany.

Its portfolio consists of hospitals, medical office buildings, and clinics that are characterized by long-term, inflation-indexed leases and stable occupancy. At the end of July 2015 Northwest Healthcare implemented a normal course-issuer bid program to purchase up to 10% of its public float, indicating the REIT's shares are undervalued.

Resource-related residential REIT: 7.9% yield

Northern Property REIT (TSX:NPR.UN) is a residential REIT with properties located mainly in secondary markets in Canada. The REIT operates in Alberta, British Columbia, Newfoundland and Labrador, the Northwest Territories, Nunavut, Québec, and Saskatchewan.

Northern Property's properties range from apartments, townhomes, and mixed-use properties. Additionally, it is a significant provider of housing to government and corporations that sublet the units to their staff.

Because Northern Property's properties are located in agricultural communities and communities that are rich in oil, natural gas, diamonds, forestry products, the REIT hasn't been doing well due to soft demand in commodities. From its 52-week high of $29, Northern Property has declined to under $21. The positive is that Northern Property now offers an above-average yield of 7.9%.

A fetching retail REIT: 5.8% yield

Plaza Retail REIT (TSX:PLZ.UN) is often missed on dividend investors' radars because it has a small cap of $396 million. However, it is worth a look. The REIT has 306 properties across eight provinces.

Plaza's website states "Plaza Retail REIT's primary goal is to deliver reliable and growing cash distributions to unitholders from a diversified portfolio of retail properties."

And it has done just that. It is one of only two REITs in Canada that has increased distributions every year for 12 years. At the end of June the retail REIT maintained an occupancy rate of just under 96% and a payout ratio of just over 84%. So, its yield of 5.8% is safe and sustainable.

Tax on the income

REITs pay out distributions that are unlike dividends. Distributions can consist of other income, capital gains, foreign non-business income, and return of capital. Other income and foreign non-business income is taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate.

So, to avoid any headaches when reporting taxes, buy and hold REIT units in a TFSA or an RRSP. However, the return of capital portion of the distribution is tax deferred. So, it may be worth the hassle to buy REITs with a high return of capital in a non-registered account.

Of course, each investor will need to look at their own situation. For instance, if you have room in your TFSA, it doesn't make sense to hold investments in a non-registered account to be exposed to taxation.

In conclusion

These REITs provide an above-average yield for any income investor. All their yields are sustainable, but if you invest in Northern Property, you should expect it to move in somewhat of an alignment with the price movements of the underlying commodities mentioned above. If the commodities aren't doing well, it also won't be doing well.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

Category

1. Dividend Stocks

2. Investing

Date
2025/08/27
Date Created
2015/09/18
Author
kayng