Need Income? Become a Passive Landlord

Description

Real estate can be a part of your portfolio without you having to invest in individual properties. Instead of being a landlord and having to deal with mortgages, tenants, and maintenance, you can choose to be a passive landlord by investing in real estate investment trusts (REITs) and collecting passive rent.

REITs collect rent from the many properties they own and manage, and they pay out most of that cash flow as distributions to unitholders. So, you can conveniently be anywhere in the world and collect juicy paycheques from your REIT holdings every month.

In fact, you can collect high yields of more than 8% from **Dream Industrial Real Estate Invest Trst** (TSX:DIR.UN) and **Northview Apartment REIT** (TSX:NVU.UN) today.

Dream Industrial

Dream Industrial is the largest pure-play industrial REIT in Canada. Since its initial public offering, Dream Industrial has grown its asset base from $0.7 billion to $1.7 billion across 219 properties.

Two-thirds of its quality portfolio is multi-tenant, which offers opportunities for rental growth. Although it generates about 32% of its net operating income (NOI) from Alberta, it reported a high occupancy of 98% there in its March presentation.

On top of that, for this year and next, there are only 0.9% of oil and gas expiries. Furthermore, no tenant contributes more than 3.8% to its NOI, so Dream Industrial doesn't have any single-tenant risk.

At $8.22 per unit, Dream Industrial offers an above-average yield of 8.5%. Its distribution is safe because it only pays out about 85.4% of its adjusted funds from operations.

Northview Apartment REIT

Northview is the third-largest multi-family REIT on the Toronto Stock Exchange. Its portfolio consists of 24,000 residential suites in more than 60 markets across eight provinces and two territories.

Northview's residential portfolio makes up about 85% of its overall portfolio. The rest of its portfolio is made up of 12% of commercial properties and 3% of execusuites and hotels.

Lower commodity prices have pushed the REIT's share price roughly 24% lower than it was a year ago because 22% of its portfolio is based in resource regions. However, Northview has historically treated unitholders well by raising its distribution eight times in 13 years.

At $19.47 per unit, Northview offers an above-average yield of 8.4%. Based on its estimated 2016 adjusted funds from operations per unit, the REIT's payout ratio is less than 81%. So, it should be able to maintain its high yield.

Conclusion

REITs pay out distributions that are like dividends but are taxed differently. If you wish to avoid the different tax-reporting hassle, buy REITs in TFSAs to earn tax-free monthly income.

However, investors may also be interested to know that in non-registered accounts, the return-of-capital portion of REIT distributions is tax deferred until unitholders sell or adjusted cost basis turns negative.

If you're looking for a high income, consider Dream Industrial and Northview for yields of more than 8%. Dream Industrial is fairly valued and Northview is about 20% discounted from its normal multiple.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)

Category

1. Dividend Stocks
2. Investing

Date
2025/08/20
Date Created
2016/04/21
Author
kayng