Become a Landlord by Investing in These 2 Residential REITs

Description

The North American apartment industry has experienced steady growth over the last few years as millennials have continued to favour renting over buying, so as a savvy investor, I had to search for ways to profit from this trend.

One option is to buy and manage a rental property, but this requires a large upfront investment, and being a landlord is simply not for everyone.

The second and much better option, in my opinion, is to invest in a residential real estate investment trust (REIT). Residential REITs offer their investors the benefits of owning rental properties without the hassles that come with purchasing a property or being a landlord. They are also great because you can invest as little or as much as you want, and because it maintains your liquidity since you can sell a stock in a few seconds compared with a property that could take weeks, months, or even years to sell.

With all of this in mind, let's take a look at two high-quality residential REITs that you could buy right now.

1. Morguard North American Residential REIT

Morguard North American Residential REIT (TSX:MRG.UN) owns a portfolio of 46 multi-suite residential properties in North America. Its portfolio consists of 15 Canadian apartment communities located across Alberta and Ontario, comprising of 5,141 suites, and 31 U.S. apartment communities located across Alabama, Colorado, Florida, Georgia, Louisiana, North Carolina, and Texas, comprising of 8,074 suites.

It currently pays a monthly distribution of $0.05 per share, or $0.60 per share annually, which gives its stock a yield of about 4.55%.

It's also important to make the following two notes about Morguard's distribution.

First, it has maintained its current distribution rate since its initial public offering in April 2012.

Second, its very strong growth of adjusted funds from operations, including its 15% year-over-year increase to $0.23 per share in the first quarter, its very low payout ratio, including 63.6% in the first quarter, and its very high occupancy rate, including 93% at its U.S. properties and 99% at its Canadian properties as of April 1, could allow it to announce a significant distribution hike when it releases its second-quarter earnings results on August 4.

2. Milestone Apartments Real Estate Investment Trust

Milestone Apartments Real Estate Invt Tr (TSX:MST.UN) owns a portfolio of 72 multifamily garden-style residential properties, comprising of 22,546 apartment units located in 14 major metropolitan markets throughout the southeastern and southwestern United States.

It currently pays a monthly distribution of US$0.04583 per share, or US$0.55 per share annually, which gives its stock a yield of about 3.5%.

It’s also important to make the following two notes about Milestone’s distribution.

First, its 11% distribution hike that took effect in January has it on pace for 2016 to mark the first year in which it has raised its annual distribution since its initial public offering in March 2013.

Second, its strong growth of adjusted funds from operations, including its 8.7% year-over-year increase to US$0.25 per share in the first quarter, its very low payout ratio, including 64% in the first quarter, and its very high occupancy rate, including 95.4% as of March 31, could allow it to announce another distribution hike when it releases its second-quarter earnings results on August 11.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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Author

jsolitro