



## Earn Passive Income With These 2 Residential REITs

### Description

Residential real estate investment trusts (REITs) offer the benefits of owning rental properties without the hassles that come with purchasing a property or being a landlord, making them ideal investment options for investors seeking passive income. With this in mind, let's take a look at two high-quality residential REITs with high and safe yields of 4-5% that you could buy right now.

#### 1. Killam Apartment REIT

*About the company*

**Killam Apartment REIT** ([TSX:KMP.UN](https://www.killamreit.com)) owns and manages 176 apartment properties, comprising of 13,882 units, and 35 manufactured-home communities, comprising of 5,165 land-lease sites, located across Nova Scotia, New Brunswick, Ontario, Newfoundland & Labrador, Prince Edward Island, and Alberta. It also owns four commercial properties, comprising of approximately 248,000 square feet in Nova Scotia.

*A highly successful first half of the year*

On August 3, Killam announced very strong earnings results for its three- and six-month periods ended on June 30, 2016. Here's a quick breakdown of five of the most notable statistics from the first half of 2016 compared with the first half of 2015:

1. Total portfolio property revenue increased 6.3% to \$86.05 million
2. Total portfolio net operating income increased 10.6% to \$50.7 million
3. Adjusted funds from operations (AFFO) increased 25.3% to \$23.4 million
4. AFFO per share increased 20% to \$0.36
5. Apartment occupancy improved to 95.7% from 95.1%

*A high and reliable distribution with room for growth*

Killam currently pays a monthly distribution of \$0.05 per share, representing \$0.60 per share on an annualized basis, and this gives its stock a very high yield of about 4.55% at today's levels. This yield

is also very safe when you consider that its AFFO totaled \$23.4 million and its distributions totaled just \$19.5 million in the first half of the year, resulting in a rock-solid 83.3% payout ratio.

It's also important to note that Killam has maintained its current annual distribution rate since 2014, and I think its very strong AFFO growth, including its aforementioned 25.3% year-over-year increase to \$23.4 million in the first half of the year, and its reduced payout ratio, including 83.3% in the first half compared with 99.7% in the same period a year ago, could allow it to announce a hike before the end of the year.

## **2. Morguard North American Residential REIT**

### *About the company*

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

### *A strong financial performance in the first half of the year*

On August 2, Morguard announced very strong earnings results for its three- and six-month periods ended on June 30, 2016. Here's a quick breakdown of five of the most notable statistics from the first half of 2016 compared with the first half of 2015:

1. Revenue from income producing properties increased 13.4% to \$107.94 million
2. Adjusted net operating income increased 12.8% to \$56.67 million
3. AFFO increased 14.4% to \$21.96 million
4. AFFO per share increased 14.6% to \$0.47
5. Occupancy percentage fell to 95.6% from 95.8%

### *A high and reliable distribution with room for significant growth*

Morguard currently pays a monthly distribution of \$0.05 per share, representing \$0.60 per share on an annualized basis, and this gives its stock a very high yield of about 4.5% at today's levels. This yield is also very safe when you consider that its AFFO totaled \$21.96 million and its distributions totaled just \$13.95 million in the first half of the year, resulting in a very conservative 63.5% payout ratio.

It's also important to note that Morguard has maintained its current annual distribution rate since it went public in April 2012, and I think its very strong AFFO growth, including its aforementioned 14.4% year-over-year increase to \$21.96 million in the first half of the year, and its reduced payout ratio, including 63.5% in the first half compared with 72.7% in the same period a year ago, could allow it to announce a significant hike within the next couple of months.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **POST TAG**

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

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## Author

jsolitro

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