Want Passive Income? Here Are 3 REITs for Your Portfolio

Description

Real Estate investment trusts (REITs) are a way for investors to invest in the overheated real estate market without actually needing a mortgage. With sale prices surging and rental vacancy rates dropping, there's a real opportunity for would-be landlords by investing in a REIT.

REITs can offer the monthly rent cheque that landlords get, while also diversifying your investment into dozens, if not hundreds, of properties around the country.

Here's a look at some REITs that you could benefit from by having them in your portfolio.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) has a massive portfolio split between 41,000 residential properties and another 65,000 land-lease sites.

In the most recent quarter the company posted strong growth with operating revenues coming in at $146.6 million, an increase over the $130.2 million posted in the same quarter last year.

Normalized funds from operations for the quarter came in at $58.45 million, an increase over the $51.62 million from the same quarter last year. On a per-unit basis, normalized funds from operations were $0.455, and in terms of a payout ratio, the company came in at 68.6%, a decrease of 1.2% over the same quarter last year. Looking out over the first half of the year, this figure increased to 72%.

Canadian Apartment Properties REIT pays a monthly distribution of $0.10 per share, which gives the stock a respectable yield of 3.87%.

Why should you invest in Canadian Apartment Properties? Besides the great distribution, the company is showing improved financials while bringing the total payout ratio down, which could translate into higher yields, new growth prospects, or both.

Killam Apartment REIT

Killam Apartment REIT (TSX:KMP.UN) is another REIT that is predominately focused on residential properties with over 13,000 apartment units and over 5,000 manufactured home community sites in its portfolio with a value in excess of $1.8 billion.

In terms of recent financial performance, Killam posted operating revenues of $43.84 million in the most recent quarter, an increase over the $41.45 in revenue the company posted for the same quarter last year.

Killam's monthly distribution amounts to $0.05 per share, which, given the current stock price of just under $13, translates into a very strong 4.66% yield. Despite this high yield, the total payout level is still below 85% and dropping, meaning the company is both maximizing returns and leaving room for growth.

Why should you invest in Killam? A yield of over 4% on a sizable portfolio of apartment units translates into a steady stream of income.

Northview Apartment REIT

Northview Apartment REIT (TSX:NVU.UN) is the third-largest REIT on the market with over 24,000 properties in eight provinces and in two territories. Unlike the other REITs mentioned, 15% of Northview's portfolio is made up of commercial properties that even include some hotel assets.

Northview currently trades at $22.52, and year-to-date the stock is up by 28%. This growth disappears over the longer term as the 12-month price difference shows a 2.2% drop in price.

In terms of a distribution, Northview pays a whopping 7.3% yield. The $0.14 per share monthly distribution may seem high, but, strangely enough, the company has not only made this sustainable, but it has found a way to keep that distribution growing. The company currently plans to pay out nearly 70% of adjusted funds from operations, leaving ample room for growth.

Why should you invest in Northview? The distribution is just too good to pass on. The only thing better than the potential passive income you could generate on that 7.3% yield is the comparatively low payout ratio and diversified portfolio that suggests more growth down the line.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:KMP.UN (Killam Apartment REIT)

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