



Create Permanent Passive Income With These 3 REIT Stocks

Description

Becoming a landlord has often been a great way to create a permanent stream of monthly income. Managing properties, however, is a lot of work. Fortunately, investors can outsource all of the drudgery by purchasing shares of a real estate investment trust, commonly referred to as a REIT.

What kind of REIT is best? Your options are plentiful, ranging from international and domestic to industrial and residential. Fortunately, there's a specific basket of well-managed stocks that can give you exposure to a broad array of real estate classes.

By buying the following basket of stocks, you can create a diversified portfolio of real estate investments that produce an income stream of more than 5% annually with plenty of capital appreciation upside.

Dream Global (TSX:DRG.UN)

While it's coined a "global" company, Dream Global REIT solely purchases properties in Europe. At the end of 2018, the company owned 228 properties, totaling 20 million square feet, most of which was located in Germany, Austria, Belgium, and the Netherlands.

What makes this stock so special? Nothing really — just a consistent commitment to buying cash flow-generating properties with enough income to service debt, pursue attractive opportunities, and service its dividend payout.

Since 2011, Dream Global REIT has returned roughly 12% annually, most of which came from its dividend, which currently stands at 5.9%. Management has done a great job focusing on organic growth opportunities with a disciplined approach to purchases.

This stock won't ever break the bank, but it's a great pick to round out a diversified basket with the stocks below.

Dream Industrial ([TSX:DIR.UN](#))

Dream Industrial is much more focused than Dream Global REIT, with roughly half the market capitalization. Management describes its strategy as a “national pure-play industrial REIT that owns high-quality light industrial properties across Canada.”

Today, the company owns 223 properties with roughly 20 million square feet of property. Around 97% of this property is currently leased with remaining contract terms of 4.1 years.

With a dividend yield of 6.2%, Dream Industrial has a higher payout than most of its real estate peers. Its above-average payout is driven by the company’s focus on industrial properties — a segment of the market that enjoys very favourable dynamics.

For example, PricewaterhouseCoopers has an annual survey targeting the most attractive segments of the real estate market. Last year, warehousing and fulfillment led the list, with regional malls and outlet centres landing at the bottom.

With the continued rise of online shopping and globalization, Dream Industrial should be able to take advantage for years to come, supporting its 6.2% dividend along the way.

Dream Office ([TSX:D.UN](#))

With only a 4.1% dividend, Dream Office has the lowest payout on this list, but it still deserves a spot in your income-generating real estate basket.

The strategy here is simple: own and lease high-quality office space in Canada’s biggest markets. Now with 34 properties totaling 6.6 million square feet, Dream Office isn’t the largest office REIT in Canada, but it has a few advantages.

First, two-thirds of its operations are located in Toronto — a market that has seen multi-year rises in property values and rents. That surge has added significant value to the company’s portfolio. Second, Dream Office has done a great job securing reliable lease terms from its occupants. Currently, its customers have an average remaining lease term of 5.2 years, higher than the other REITs on this list.

In downtown Toronto, Dream Office has an impressive 97.8% occupancy rate. As long as the Toronto market remains strong, this stock will win.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)
2. TSX:DIR.UN (Dream Industrial REIT)

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