Passive Income Will Come Easily With This Investment Gem

Description

Investing in real estate is very different today than it was even a decade ago. For one thing, the down payment on a small- to average-sized property in one of Canada's major metro areas now costs as much as the house itself used to cost. This presents a major impediment for first-time home buyers as well as those investors looking to become landlords and generate some passive income.

Fortunately, there are other means of generating a passive-income stream that doesn't require putting down a quarter-million-dollar down payment and needing to chase down tenants for monthly rent. Investing in a real estate investment trust (REIT) such as **Northview** (TSX:NVU.UN) can provide that recurring income stream and much more.

REITs offer investors an incredibly lucrative opportunity: they can become part owners in properties that are often scattered around a large geographic area that often includes different classes of properties such as commercial retail, residential, or industrial. That level of diversification is a welcome sigh of relief for any landlord that either bought the wrong property or had problems in either filling or vacating a property.

Adding to that appeal is perhaps the main reason why investors opt to become landlords: the rental income. In the case of a REIT, that income comes in the form of a monthly distribution, which typically far exceeds the yield offered by comparable investments on the market.

What makes Northview unique?

Northview's portfolio of nearly 30,000 units consists primarily of residential units, but unlike many of its peers that are swarming into the major metro areas of Vancouver and Toronto, Northview is targeting secondary markets across the country where demand is still high, but competition is much lower, leading to higher occupancy rates. Occupancy rates in the most recent quarter topped 93% for multi-family units, reflecting a 40-bps improvement over the prior quarter and a 60-bps gain over the same period last year.

That's not to say that Northview doesn't have any units in Toronto or anything outside the residential segment; Northview has a selection of properties both within Toronto and around the GTA and has even moved towards expanding into the commercial and industrial sectors, further enhancing the diverse appeal of the REIT.

Northview currently offers an annualized payout of $1.63. At the current stock price, that comes out to a very appetizing 5.74% yield, handily making it one of the better-paying options on the market. Adding to that appeal is the fact that Northview's payout ratio has averaged near 75% of funds from operations, remaining constant for several years now.

In terms of results, Northview's first update for fiscal 2019 isn't due for a few weeks yet, but going on the numbers from fiscal 2018, the REIT posted strong gains. Specifically, the REIT reported net and comprehensive income for the full fiscal year in the amount of $289.6 million, beating the amount from fiscal 2017 by 77.3 million. Similarly, diluted FFO for the full fiscal year came in at $2.11 per unit, surpassing the $2.08 per unit reported last year.

Northview isn't resting on its laurels either. Over the course of fiscal 2018, the company registered nearly $400 million in growth across the developments and acquisitions completed over that year. Further to that, ongoing construction at developments in Kitchener and Nanaimo are slated to be completed later this year.

In my opinion, Northview is a great long-term investment for those investors seeking passive income from a buy-and-forget gem.

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