



Passive-Income Investors: 2 REITs You Should Own in Your TFSA

Description

If you've been contributing to your TFSA regularly and have been using the proceeds to invest in stocks, REITs, or other income funds, you've likely amassed enough money that could make you a substantial amount of [passive income](#) for the rest of your life.

When it comes to fat, reliable, and low-risk dividend payouts, it's [hard to top the REITs](#). By law, they're required to pay out 90% of their net income to shareholders in the form of a distribution. With such a standard in place, investors have the opportunity to collect monthly cheques as a lazy landlord who doesn't need to lift a finger after they've purchased shares for their TFSA. Why dabble around with leaky faucets and faulty electronics when you can pay a pro handyperson who can take care of all maintenance work in the most cost-effective way possible?

For many passive-income investors, REITs are the golden ticket to a life of big monthly income. So, without further ado, here are two of my favourites that should be core holdings to any TFSA income fund.

Canadian Apartment Properties REIT ([TSX:CAR.UN](#))

As an income-oriented investor, it's easy to brush off CAPREIT as a name that's unworthy of an investment, as the 2.7% yield is among the lowest in the industry. While the payout is comparable to that of a stock, investors should pay more attention to the REIT's very favourable operating environments that'll allow for above-average distribution hikes and capital gains that would be enough to put stocks to shame!

CAPREIT owns some prime residential properties in the Greater Toronto Area (GTA) and Greater Vancouver Area (GVA), both of which are "state-of-emergency" markets that are facing a severe shortage in rental units. As a result, CAPREIT can keep raising rents and reinvesting in new properties without having to worry about any upticks to its sub-1% vacancy rates, which are among the best in the industry.

The GTA and GVA markets are tight, and they'll remain that way in the near future. And that'll be a

huge low-risk opportunity for CAPREIT to command massive ROE numbers that'll enrich its shareholders.

As one of the fastest-growing REITs in Canada, CAPREIT is a must-own, not just for the growing distribution, but for the capital gains that'll flow in with minimal uncertainty.

Chartwell Retirement Residences REIT ([TSX:CSH.UN](#))

Speaking of low-risk real estate sub-industries, seniors housing is another segment of the market that's ripe for continued growth. Baby Boomers are getting older, they're getting sicker, and they're going to need more care and attention as time goes on.

The demand for assisted living, memory care, independent supported living, and long-term care are slated to explode over the next decade and beyond. As the largest seniors housing play in Canada, Chartwell is ready to take it to the bank with its 181 facilities that are located across the country.

Over the next two decades, I expect NOI growth to soar alongside occupancy rates as the youngest Baby Boomers enter retirement age. Indeed, Chartwell is sitting on a generational opportunity, and with shares currently in a period of long-term consolidation, I suspect a big breakout could send the 4% yield much lower over the near term. So, if you've got a long-term horizon, Chartwell is a must-own for the long-term generational secular tailwinds.

Foolish takeaway

CAPREIT and Chartwell are attractively valued REITs that will have the wind to their back over the next decade and beyond. Both names have competent management teams and market conditions that'll allow them to make a huge economic profit over a prolonged period of time.

Apartments and seniors housing are two of the hottest real estate sub-industries to get into, so if you're looking to construct a long-term income fund, you should scoop up both names, as they have the potential to grow their distributions at a ridiculously rapid rate, regardless of how hot the economy is at a given point in time.

Stay hungry. Stay Foolish.

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2. TSX:CSH.UN (Chartwell Retirement Residences)

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