Make a Lifetime of Growing Passive Income With These 2 Quality REITs

Description

You can never have too many sources of passive income. If you've amassed a cash hoard that's been sitting in your savings account and losing purchasing power through the insidious effects of inflation, then it's time to put your foot down and put your money to work by buying a portfolio of quality REITs.

A REIT-based passive income portfolio will pay you a handsome amount on a regular basis, reward you with raises on a somewhat regular basis, enrich you with "paper gains" over a prolonged period, and best of all, the income and paper gains will continue flowing in as long as you're willing to sit on your bum and not hit that "sell" button.

While all Canadian REITs are subject to the same payout requirements, not all REITs are built the same. Some REITs' distributions (or dividends) will stand to implode at the slightest breeze, and others will stand tall through the worst of hurricanes.

Some REITs can make you much richer than others from a total returns (capital gains + accumulated distributions) standpoint, so it's important to ensure that you're investing in a well-managed operation that's in a real estate sub-industry that'll more easily allow for excess economic profits over the long term.

Without further ado, consider **WPT Industrial REIT** (TSX:WIR.U) and **InterRent REIT** (TSX:IIP.UN), two proven REITs that I believe should form a foundation for any investor's long-term REIT-based passive income stream.

The former REIT is a bountiful income play (5.5% yield) that's poised for above-average growth and a below-average price of admission. The latter REIT is a distribution growth play that'll allow you to get the fatter, more frequent raises that folks in the workforce could only dream of.

WPT Industrial

WPT owns and operates a wide selection of warehouse and distribution properties, which as you may know are experiencing rocketing demand thanks to the continued rise of e-commerce.

Packages flying from coast to coast need a place to stay before reaching their final destination. And as American consumers continue gravitating toward online platforms, WPT is going to take the e-commerce trend to the bank, as it continues to increase its gross leasable area across the continental U.S.

Not only is WPT a terrific low-risk, high-yield way to play the red-hot industrial real estate market, but it’s also a terrific value play that looks ripe for a takeover at some point over the medium term. WPT’s industrial REIT peer, PIRET, got scooped up a while back and as foreign investment firms broaden their scope, it’s not too far-fetched to think that WIR.U could be snatched up from Canadian investors without a moment’s notice.

Don’t buy WPT with the hopes of a takeover, as it may not happen for years. Do buy the REIT for the income and potential gains. Should a surprise takeover happen, be ready to cash out and find another darling for your passive income fund.

InterRent

With a market cap of just $1.5 billion and a distribution yield of just 2.15%, InterRent is an oddball play that has likely fallen under the radar of mainstream income investors. As a smaller operation, the REIT is more agile on its feet, and can better navigate its sub-industry (residential real estate) to deliver a better bang per invested buck.

The chart of InterRent looks more like that of a stock than a REIT, with 140% in gains clocked in over the past five years with ample distribution hikes made on a somewhat regular basis. While the stock-like nature of the REIT may be less attractive to conservative income investors, it’s important to remember that the company is still required to pay out 90% of its net income to shareholders in the form of a distribution. As such, the REIT isn’t nearly as risky as a non-real-estate stock of similar size.

What’s InterRent’s secret sauce?

The REIT has exceptional stewards that can produce alpha for investors with a “renovate and raise rent strategy.” Management opportunistically scoops up cheaper, mismanaged properties, then brings in its squad to spruce up the place (renovations, upgrades, amenities, new management etc.) to command higher rents. Think of InterRent as a residential M&A kingpin that’s able to drive considerable synergies from deals.

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TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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