3 REITs to Create a Diversified Real Estate Empire and Dependable Passive Income

Description

Are you seeking to build a secure recurring stream of passive income without the hassles associated with owning and managing rental properties?

Look no further than these three quality real estate investment trusts (REITs) yielding in excess of 5% that are poised to grow and possess solid defensive characteristics that protect them from market downturns.

Industrial properties

WPT Industrial REIT (TSX:WIR.U) owns a portfolio of 69 industrial and one office property in the U.S. with 21 million square feet of gross leasable area. The trust pays a regular monthly distribution totalling US$0.76 annually yielding a very juicy 5.5%. With a payout ratio of around 90% of diluted funds from operations, the dividend is sustainable.

WPT's tenants enter triple net leases, meaning they are responsible for most of the costs associated with the property being leased, including taxes, maintenance, insurance, and repairs. WPT's tenants include leading businesses such as **General Mills**, Continental Tire, **Unilever**, and **Amazon.com**.

For the first quarter 2019, WPT reported solid results, including an exceptional occupancy rate of 99%, debt to gross book value of 37%, indicating that debt is manageable, and an interest coverage ratio of 2.9 times. Quarterly net operating income (NOI) expanded by 11% year over year and book value per unit was 4% higher. WPT's earnings will continue to expand because of growing rental income and the acquisition of 13 industrial buildings and three land parcels in the U.S.

WPT will benefit from the growing uptake of e-commerce, because the rapid expansion of online retailing is driving a substantial increase in the demand for logistics and distribution centres, which remain in short supply.

Diversify globally

A popular choice for gaining international exposure while benefiting from an aging population and increasing demand for healthcare is **NorthWest Healthcare Properties REIT** (TSX:NWH.UN). The trust rewards investors with a regular monthly distribution yielding over 6.6%, which, with a payout ratio of 99% of diluted trailing 12-month FFO, appears sustainable. It owns a globally diversified portfolio of 158 healthcare properties with almost 12 million square feet of gross leasable area. NorthWest earns 39% of its NOI in Australia, 26% from Canada, 22% in Brazil, and the remaining 13% from Europe.

During the first quarter 2019, it completed the transformative $1.2 billion acquisition of 11 properties in Australia**,** which is expected to be immediately accretive and cements its position as the leading provider of healthcare real estate down under. NorthWest finished the first quarter 2019 with an impressive occupancy rate of 96.8%, weighted average lease expiry of 13 years, and a manageable debt to gross book value of 54.5%.

REIT first-quarter NOI was up 4% year over year and FFO gained 15%. The latest acquisition will give earnings a solid boost, further enhancing the sustainability of NorthWest's distribution.

Diversify into alternative assets

Dream Hard Asset Alternatives Trust (TSX:DRA.UN) is focused on providing access to alternative hard assets with an emphasis on real estate development, real estate lending, and real estate ownership. It pays a regular monthly sustainable distribution yielding just over 5%. The majority of Dream Hard Asset's portfolio is focused on Canada, which accounts for nearly 90% of its net asset value, with another 6.9% located in the U.S. and 3.5% in the United Kingdom.

Its portfolio is highly diversified across property development, real estate management, and renewable power, with development and investment activities responsible for 46% of its net assets followed by Dream Hard Asset's lending portfolio.

The trust finished the first quarter 2019 in a solid financial position. Debt was a low 24% of gross asset value and it had $33.5 million in cash. Cash generated by operating activities soared by 41% year over year to $5 million.

Now is the time to buy Dream Hard Asset because it is trading at a 15% discount to its net asset value of $8.72 per unit, meaning along with that juicy yield, there is substantial capital appreciation on offer. Management has embarked on a strategy to unlock value for investors by launching a unit buyback while investigating the sale of its United Kingdom and Canadian renewable power assets. As that plan gains greater traction and the volume of outstanding units decreases, Dream Hard Asset's market value will grow.

CATEGORY

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1. TSX:MPCT.UN (Dream Impact Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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