



## Earn \$1,000 in TFSA Monthly Income From 2 REITs

### Description

Some Canadian real estate investment trusts (REITs) have [taken off impressively](#) this year, but there are still some really good high-yield opportunities available in this space.

One can afford to be a lazy landlord, earn respectable regular monthly income distributions to pay the bills, or reinvest the paychecks for more units through discounted distribution-reinvestment programs (DRIPs) to compound their wealth in a lucrative TFSA environment.

### PRO Real Estate Investment Trust

**PRO REIT** ([TSX:PRV.UN](#)) boasts of owning a growing and diversified portfolio of 84 income-generating properties serving retail, office, commercial, and industrial tenant needs across Canada.

The trust has been on a strong acquisitions-led growth spree lately. The strategic move has not only improved portfolio diversification by increasing exposure to a growing lucrative industrial and mixed-use property segment, but it has significantly improved all important performance and valuation metrics for its equity units, as revealed in the latest second-quarter financial results released in August.

Portfolio revenue grew by 49% year over year, and net operating income was up 44% over the same quarter last year, but that wasn't the best part. Adjusted funds from operations (AFFO), a key metric for the industry, grew at a faster rate of 49%, and that helped the AFFO payout rate to fall to 102%, down from nearly 120% during the same period in 2018.

PRO's distribution is much safer today and could be better covered in the near term after the recently announced accretive acquisitions and debt reductions.

Same-property NOI increased by 7.4% during the second quarter due to increased occupancy and rental rate increases on lease renewals.

Portfolio in place occupancy saw a massive jump from 94.4% by mid-year 2018 to a respectable 97.7% exit June this year, as last year's commitments converted into actual rent-paying tenants. Rent-

paying tenants are what I'd be most concerned about, and the trust has more of them today.

Leasing teams are all fired up this year with over 82% of all maturing leases had been renewed by June 30. This is a good retention rate for the growing lease portfolio, and any real estate investor would love to work with such an effective management team, which was recently internalized in April 2019 to reduce recurring acquisition and asset management fees.

Good news keeps pouring in from PRO REIT; it's no wonder why its latest equity units offering was oversubscribed. Investors are evidently optimistic about the trust's income-generation prospects.

Units currently offer a juicy 9% annualized yield.

## CT Real Estate Investment Trust

**CT REIT** ([TSX:CRT.UN](https://www.scribd.com/document/444444444/CT-REIT-TSX-CRT-UN)) was born out of a curve out of **Canadian Tire's** store real estate portfolio, and the trust holds 325 properties totalling 27 million square feet of gross leasable area today that serves the high-credit-worthy retailer's store property needs while accommodating a growing tenant list that wishes to harvest the benefit of proximity to a high-traffic-generating retail giant.

Canadian Tire occupied approximately 93.1% of the trust's gross leasable area by June 30 this year, and its lease payments are about 92.4% of annualized base minimum rent.

CT pays one of the safest monthly distributions among competing offerings today, with an AFFO payout of 77% for the first half of 2019. There's more room to increase the distribution as management deems fit, and a 4% increase has already been done for 2019. More raises could follow.

A same-store net operating income growth rate of 2.9% and a same-property net operating income growth of 3.3% for the second quarter were impressive data points in the latest earnings release.

Management enjoys enviable financial flexibility given the trust's very low leverage at a 44% debt ratio in June and a stable property committed occupancy rate of 98.7% by mid-year 2019. Portfolio income metrics improved during the second quarter of this year, and there a strong organic growth pipeline that should enable the trust cheaply grow its earnings potential.

Units currently yield a rich 5.26%. Distribution raises and capital gains can be expected.

## Here's how to earn \$1,000

To earn \$1,000 in TFSA monthly income, one would need to invest \$84,152 in each of the two trusts for a total outlay of \$168,304 before trading costs. There are options to DRIP the monthly paychecks at a 3% discount and amplify rate of wealth creation in a TFSA.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:PRV.UN (Pro Real Estate Investment Trust)

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