2 High-Yield Dividend REITs to Instantly Earn Passive Income

Description

Investors are starting to increase their allocations of real estate investment trust (REITs) stocks lately. If you want to collect passive income, you can elect to take the same option. You also become an instant landlord through the REITs.

REIT stocks are getting special attention because this asset class provides growing income while beating inflation. **SmartCentres** (TSX:SRU.UN) and **Crombie** (TSX:CRR.UN) offer high dividends to income investors. You'll have extra money to boost your after-tax income or create an emergency fund.

Canadian Aristocrat REIT

SmartCentres has built a reputation for consistent performance. This $5.48 billion REIT has a strong focus on retail development and operation. Today, it is Canada's largest developer and operator of unenclosed shopping centres.

Since 2002, SmartCentres has been growing its platform at a compound annual growth rate (CAGR) of 31%. There are 157 properties across Canada, with a 98% average occupancy and an average age of 15 years. Most of the properties are shopping centres, grocery or pharmacy stores, and destination outlets.

Among the big-name tenants are **Walmart**, **Canadian Tire**, and **Loblaw**. Walmart's average remaining lease term with SmartCentres is 6.1 years but with renewal options that can extend to 80 years. This REIT derives stable rental income because of the long-lease terms of its high-quality tenant base.

The stable cash flows and conservative capital structure enable SmartCentres to sustain paying a high 5.5% dividend. Over the last three years, this REIT has grown its payouts at a CAGR of 3%.

National REIT

Crombie is one of the success stories in the real estate sector. Top grocer **Empire Company** owns

40% of the REIT. After completing its IPO in 2006, the shopping binge began. This REIT bought 44 commercial properties then added 61 more properties to its real estate portfolio in 2008.

In 2010, or just four years since its IPO, Crombie's gross leasable area grew by 58% to become a mid-market capitalized REIT. By the end of 2012, Crombie had a total of 170 properties worth $2.4 billion.

Crombie's next goal was to be a national REIT. The achievement came in 2013 with the acquisition of 70 Safeway-anchored properties in Western Canada. Crombie spent $991.3 million for the landmark purchase.

Today, Crombie's regional diversification continues in Canada's fastest-growing metropolitan areas. Its 5.65% dividend is higher compared with 19 other REIT stocks. You become a national landlord as well if you own shares of Crombie.

Steady stock performances

The shares of SmartCentres and Crombie are up 10.7% and 35.4% year to date. Dividend investors are not after outrageous capital gains when investing in REIT stocks as most offer moderate gains. But you are sure to collect passive income from the generous dividends SmartCentres and Crombie will pay you as quasi-landlords.

Both REITs are benefiting from the growing opportunities in the real estate sector. Through diversification, SmartCentres and Crombie could further see an increase in rental incomes and, subsequently, annual profits.

If you want to cope with inflation and still have plenty of income left, SmartCentres and Crombie are your best options.

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