Make $500 in Passive Income a Month With 2 TSX REITs

Description

In a market that is tumultuous, investors would like to have a steady stream of recurring income. Bonds are no longer a viable option, as yields have moved to record lows. The other option is investing in high-dividend-yield companies that have strong balance sheets and robust cash flows, making a dividend cut unlikely.

REITs are attractive bets, as they distribute over 90% of net income in the form of dividends. They also provide an alternate investment option, which ensures diversification. Here, you can take a look at two top Canadian REITs that have juicy dividend yields and potential to generate capital returns for long-term investors.

A retirement REIT

Shares of **Chartwell Retirement Residences** (TSX:CSH.UN) are trading at $8.54, which is 46% below 52-week highs. This pullback has driven its forward yield to 7.2%. This REIT indirectly owns and operates a range of senior housing communities, including independent supportive living and assisted living as well as long-term care.

It is the largest operator of Canada's senior living sector with 200 retirement communities in four provinces. Ontario accounts for 53% of the company's ownership portfolio, followed by Quebec, Alberta, and British Columbia at 29%, 9%, and 9%, respectively.

Chartwell targets residencies in urban and suburban areas and does not operate in markets with populations less than 25,000 within a 10 km radius of its properties. In order to have high operating efficiency, it does not operate residencies that generate lower than $1 million of net operating income.

In 2019, Chartwell's same-property occupancy was 88.6% in its Retirement Operations segment, down from 90.1% due to higher competition. Its occupancy in Ontario was also impacted by a significant increase in the supply of new competitive suites in certain markets.

Though these competitive challenges are expected to persist in 2020, Chartwell is looking to enhance digital marketing efforts and have increased coverage of its call centre to help it improve occupancy.

A fast-growing healthcare REIT

Another REIT that can be considered by long-term investors is **Northwest Healthcare Properties** (TSX:NWH.UN). The stock is trading at $8.66, which is 35% below its 52-week high, increasing its forward yield to 9.2%. It provides investors with access to a portfolio of 149 income-producing properties with 10.1 million square feet of gross leasable area. It has properties in Canada, Brazil, Germany, New Zealand, and Australia giving investors enough geographical diversification.

Northwest Healthcare is the largest non-government owner and manager of medical office buildings and healthcare facilities in Canada with over 56 properties in the country. In international markets, it has partnered with leading regional healthcare operators and built a robust portfolio of infrastructure assets with enough room for capacity expansion, which will drive top-line growth.

The COVID-19 pandemic has driven the stock considerably lower, as there is a huge threat to the older population worldwide in these uncertain times. However, the death rates have declined in China and the same trend can be expected in other countries over the next month. With a 97.3% occupancy rate in Canada and a 98.3% occupancy rate in international markets, Northwest remains an ideal for contrarian and growth investors.

An investment of $37,500 each in the two REITs will result in annual dividends of just over $6,000, or monthly dividends of $512.

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Date
2025/08/24
Date Created
2020/04/07
Author
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