Earn a Lifetime of Passive Income With 3 Quality REIT Stocks

Description

Investing is tough when the market is acting strangely. The bull market days are over and you need to be discerning in your choices. However, there's one sector with resilient stocks that will allow you to earn a lifetime of passive income.

Three quality real estate investment trust (REIT) stocks are on my watch list. You can imagine the potential gains from these stocks when the economy springs back to life.

Sector's gem

RioCan (TSX:REI.UN) is a gem. This $5.48 billion REIT is one of the largest REITs in Canada. As of year-end 2019, its total enterprise value is nearly three times higher than its current market capitalization.

Many were expecting the operations of RioCan to be severely affected by the coronavirus outbreak. The rental strike was the biggest threat to the business. However, you can't underestimate the strength of this REIT. Its competitive advantages are showing.

RioCan has a scale and 26 years of experience in the rental business behind it. About 85% of the tenants are national, with each one possessing solid business fundamentals. More important, the rental properties' locations are in prime, high-density markets where millions of Canadians live, shop, and work.

At less than $20 per share, RioCan is worth buying. The dividend offer is a mouth-watering 8.34% yield.

Growth potential

Summit Industrial (TSX:SMU.UN) is one-fourth the size of RioCan, but it's just as strong and resilient. You'll find this REIT's Q1 2020 earnings impressive. For the quarter, net rental income increased by 39.6% versus Q1 2020. The growth stems from high stable occupancy, and rental increases.

Next up is the 37.7% increase in revenues. Cash flows should be robust in subsequent due to the 5.3 years average lease term and built-in 1.6% annual rent escalation clauses in the lease contracts. A landlord will be more than happy with the high 98.4% occupancy rate.

Rent collections in May hit 90.2%. About 5% of the tenants were allowed to defer rent payments and signed payment plans. Some 3.3% have free-rent arrangements for a limited period in exchange for lease extensions but at higher rental rates. Occupancy rates likewise jumped to 98.7%.

At less than $12 per share, this REIT will pay you a 4.73% dividend.

Value stock

I consider **SmartCentres** (TSX:SRU.UN) to be a value stock. This $3.92 billion REIT gets its stability from the long-standing relationship with Walmart. The American retailer and wholesaler giant is the anchor tenant in 73% of SmartCentres rental properties, and over 25% of rental income comes from them.

Aside from the lead tenant, the rest are mostly national retailers that are operating essential businesses. Some of the prominent names include **Bank of Montreal**, **Bank of Nova Scotia**, **Canadian Tire**, **Dollarama**, **Home Depot**, **McDonald's**, **Metro**, **Telus**, and **Toronto-Dominion Bank**.

If you have retailers in your portfolio that are supplying everyday groceries, pharmaceuticals, general merchandise, medical assistance, banking, telecom and other essential needs, then SmartCentres is a hands-down choice for a long-term hold.

SmartCentres remains value-focused and is far from completing its transition to become a fully diversified REIT. At less than $25 per share, you'll get more for your money as the dividend is a whopping 8%.

True landlord

Pick any of the three REITs today to start earning and be like a true landlord.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

2. TSX:SMU.UN (Summit Industrial Income REIT)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Date
2025/08/24
Date Created
2020/06/08
Author
cliew