TFSA Investors: Get $340 a Month in Passive Income From This Reliable REIT

Description

The TFSA (Tax-Free Savings Account) was introduced back in 2009. If you have been eligible to contribute to this account since its inception, your total TFSA contribution is $69,500. If you have not been contributing to your TFSA and are now ready to do so, you can turn your $69,500 sum into a stable stream of recurring tax-free income that can pay you over $340 a month right away.

To get a monthly payout of $340, you need to invest your capital in a stock with a yield of 6%. And one such company that has a reliable income stream with a yield of 5.95% is **CT REIT** (TSX:CRT.UN). CT REIT is a resilient real estate play and generates the majority of sales from retail giant **Canadian Tire**.

CT REIT has a portfolio of 350 properties totaling 27 million square feet of gross leasable area. The stock is currently trading at $13.23, which is 23% below its 52-week high. CT REIT's shares touched a multi-year low of $9.14 in March and have recovered to trade at current levels.

The REIT's exposure to retail clients has made it vulnerable to the recent sell-off. Country-wide lockdowns due to the COVID-19 pandemic have decimated retail companies. However, CT's durability is grounded in the strength of its balance sheet and liquidity that will help it tide over the ongoing crisis.

CT REIT has a debt-to-gross book value of 42.7% with $315 million in undrawn credit lines.

Why CT REIT is a winning bet for your TFSA?

Around 96.5% of CT's annual tenant base fulfilled their May 1st financial obligations to the REIT. This was lower than the 97.2% figure on April 1. The company management claimed that rent collections amid the pandemic have been among the highest when compared to peer retail REITs.

Its adjusted net operating income (NOI) rose 6% year over year in Q1 to $95.3 million. This growth was driven by the acquisition of income-producing properties as well as properties under development that were completed. Same-store NOI was up 2.4% in Q1 while same-property NOI rose 3.2% year over year in the first quarter.

Over 95% of its tenant base consists of essential service providers and Canadian Tire, making CT REIT one of the top REITs to own, especially in the retail space. Investors should note that CT REIT has a long-term plan to widen its property portfolio. This will positively impact top line as well as NOI over time.

However, you cannot discount its relationship with Canadian Tire. The retail heavyweight leases its property from CT REIT with an average lease duration of 10 years. Every deal is structured in a way to accommodate inflation and other built-in escalators. So, it is unlikely that CT REIT will experience a significant drop in rental income, as long as its properties are leased. Lastly, Canadian Tire also aims to grow via acquisition, which will benefit CT REIT.

The Foolish takeaway

If you invest $69,500 in CT REIT, you can generate $4,135 in annual dividend income, or $345 in monthly dividend income. It's not advisable to have such as large exposure to one stock. This is just an example, and you need to identify similar companies to diversify your TFSA portfolio.

CATEGORY

1. Dividend Stocks
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1. TSX:CRT.UN (CT Real Estate Investment Trust)

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