CERB Ending Soon: Get Income of $2,000/Month Here!

Description

The earliest applicants of the Canada Emergency Response Benefit (CERB) will see their $2,000-per-month payment ending this month.

To keep the passive monthly payment coming in, Canadians can opt to increase their dividend stock exposure. Among the dividends available are ones received from real estate investment trusts (REITs) that pay relatively high income. For the convenience of investors, most REITs pay out cash distributions every month.

Get $2,000/month of income from this dividend stock

H&R REIT (TSX:HR.UN) stock has fallen 50% year to date with the rest of the Canadian REIT sector falling 23% (based on the **iShares S&P TSX Capped REIT Index ETF** with the ticker XRE).

The diversified REIT felt the pandemic impact in its retail properties for which the rent collection ranged from 64% to 77% between April and August.

Thankfully, the rent collection from its office, residential, and industrial assets were much better. This resulted in a portfolio rent collection that has continued to be stable: 89% in April, 87% in May, 89% in June, 91% in July, and 87% in August.

Still, management chose to be prudent amid a challenging operating environment due to the pandemic and cut the REIT's cash distribution by 50% in May.

H&R REIT's annualized payout now sits at $0.69 per unit with a forward payout ratio of about 50% of adjusted funds from operations. The REIT provides a yield of 6.55% against XRE's yield of 5.38%. So, H&R REIT's above-average yield is sustainable. It can also enlarge its payout as the retail environment improves.

At $10.53 per unit, the REIT trades at a discount of more than 50% from its end-of-Q2 net asset value (NAV). This means that the stock has the potential to double on a reversion to the mean when the economy normalizes.

To get $2,000/month from H&R REIT, investors need to invest about $366,412 in the stock. Keep in mind that on top of the income, the investment itself could double to $732,824 over the five years, equating to annualized returns of about 21%.

Get monthly income of $2,000 from this REIT

Another REIT that provides a high monthly passive income is **Northwest Healthcare Properties REIT** (TSX:NWH.UN). The healthcare REIT stock has been very resilient and is essentially trading at the same levels at the start of the year. The stock quickly recovered from the March market crash low.

The defensive REIT generates more than 80% of its revenues directly or indirectly from public healthcare funding. Since its rental income comes from 189 healthcare properties including hospital, outpatient, and medical office buildings, it's not surprising that it was able to collect more than 97% of its rent in Q2 amid the pandemic.

Its stable cash flow is supported by a weighted average lease expiry of 14 years. At $11.73 per unit, the REIT is fairly valued against its normalized NAV of $12.53 per unit.

Northwest Healthcare Properties REIT offers a yield of 6.82%. To get $2,000 a month from the REIT, investors need to invest roughly $351,906 in the stock.

The Foolish takeaway

An investment in H&R REIT or Northwest Healthcare Properties REIT provides greater income than investing in a property today. Additionally, holding their shares in a tax-advantaged account, such as a TFSA or RESP will save you tonnes of taxes on the income and capital gains (should you choose to sell the stocks later on at a profit).

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)
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Date
2025/07/29
Date Created
2020/09/17
Author
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