2 REITS That Are Passive Income Machines

Description

Creating an exceptional passive income stream amid the 2020 pandemic is possible. Canadian real estate investment trusts (REITs) are the sources, and some of the established REITs are dividend monsters. You get to share a portion of the income these companies generate from their rental properties.

The low interest rate environment favours REITs. However, not all in the real estate sector are doing well in the pandemic environment. But for income generation purposes, **PROREIT** (TSX:PRV.UN) and **SmartCentres** (TSX:SRU.UN) are among the high-yield REITs. In summary, you become a pseudo-landlord without the hassles of physical ownership.

Fast-growing REIT

An experienced management team in the real estate industry is behind PROREIT, a fast-growing Canadian REIT. The market capitalization is only $182.8 million, but its team with over 70 years' of experience has completed more than $4 billion in real estate transactions.

PROREIT is relatively new and was founded in 2013. However, this REIT is present in nine provinces and concentrated on strong secondary markets in Eastern and Central Canada. It has 93 properties distributed as follows: retail (35.6%), industrial (29.8%), commercial mixed-use (18.8%), and office (15.8%).

In the six months ended June 30, 2020, PROREIT reported a 19.06% increase in net operating income (NOI) compared with the same period in 2019. The occupancy rate went up to 98.1% from 97.9%. As of August 12, 2020, 76% of the tenants with maturing leases renewed their contracts.

PROREIT pays an incredible 8.88% dividend. A $25,000 stake will produce $2,220 in passive income. At $4.75 per share, it's worth the investment.

Walmart-anchored REIT

SmartCentres is the hands-down choice in the REIT space. This $3.44 billion REIT is fully integrated and owns the best-in-class portfolio in Canada. Management's goal is to reshape the Canadian urban and urban-suburban landscape in the country. Several development projects are in the pipeline, which will further increase its revenue-generating capacity.

The lead tenant is **Walmart**, as 115 of the 166 total properties are Walmart-anchored centres. Other prominent tenants include **Costco**, **Loblaws**, **Metro**, Sobeys, **Canadian Tire**, **McDonalds**, **TELUS**, and **Cineplex**.

Notwithstanding the $245 million decrease in net income for the six months ended June 30, 2020, compared to the same period last year, SmartCentres is poised to capture the upside in the post-pandemic world. The NOI decreased by $19.5 million because the REIT set aside provisions for COVID-19 related matters.

The earning potential from SmartCentres is incredible. At $20.28 per share, the corresponding dividend is 9.16%. Imagine earning a passive income of $4,580 from a $50,000 investment. Analysts forecast the price to climb 77.51% to $36 in the next 12 months.

Cash cows

REITs are great additions to your stock portfolio. If buying and owning a rental property is out of your reach, PROREIT and SmartCentres are the next-best alternatives. Both are dividend machines that can continue to deliver passive income streams. The yields are among the highest in the **TSX**. Thus, the two REITs are dividend all-stars.

Furthermore, the dividend yields can increase over time when the asset values of the rental properties appreciate. REITs are the modern-day cash cows. Young and old alike, including retirees, can maximize their Tax-Free Savings Accounts (TFSAs) or Registered Retirement Savings Plans (RRSPs).

CATEGORY

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