



2 REIT Stocks That Are Passive-Income Machines

Description

Government transfers are the lifelines of Canadians experiencing financial strain due to the pandemic. Various federal aid programs have been available since March 2020, and the new recovery benefits extend until the third quarter of 2021. Meanwhile, people who have free cash [invest to earn passive income](#) and have an extra cushion in the recession.

Real estate investment trusts (REITs) are great income sources in Canada, although two REITs stand out because both are resilient against an economic meltdown. **Crombie** ([TSX:CRR.UN](#)) or **Summit Industrial** ([TSX:SMU.UN](#)) are passive-income machines in 2021 and beyond.

Resilient REIT

Crombie owns and operates 286 commercial assets, with 33 properties due for development over the next 10 years or more. Locations of the rental properties are in Canada's top urban and suburban markets. This \$2.27 billion REIT endured the 2020 crisis because the tenant base is well diversified.

The portfolio consists of high-quality grocery and pharmacy-anchored shopping centres and mixed-use developments. **Empire**, the owner of Sobeys, has a 40% stake in Crombie, so it has a solid backer. The REIT has yet to report its 2020 full-year earnings result, but rent collections in October 2020 indicate stability.

For retail and commercial properties, rent collection was 95%. It was 100% for retail-related industrial and office properties. In the stock market, I expected Crombie to post significant losses. However, the loss for the year was only 4%. At \$14.35 per share, the REIT pays a lucrative 6.22% dividend. A \$50,000 investment will produce \$3,110 in passive income. Hold Crombie in your Tax-Free Savings Account (TFSA) so that all your [gains are tax-free](#).

Top-performing REIT

Summit Industrial is a reliable income provider, although the yield is smaller than Crombie's.

Nevertheless, this \$2.29 billion REIT is among the top-performers in the real estate sector. The 18% total return in 2020 is proof that industrial REITs are pandemic-resistant.

Besides the capital appreciation, investors enjoy a respectable 3.9% dividend. At the current share price of \$13.65, you get value for money. What sets Summit Industrial apart during the pandemic is the growing demand for light industrial properties.

E-commerce business in particular is accelerating the value of this REIT. Likewise, vacancy rates are virtually zero since generic-use spaces are highly marketable. Tenants can use the properties as warehouses, storage facilities, and distribution hubs.

Some tenants set up light assembly and shipping plants as well as call centres. The advantages of a diversified tenant base to Summit Industrial are low operating costs, low capital expenditures, low maintenance costs, and leasehold improvements.

In December 2020, Summit acquired a single-tenant warehousing and logistics facility in a key industrial market in GTA. The purchase price of the property in Ajax, Ontario, was \$68 million. A major global automotive company is the tenant. The rental property serves as the Canadian head office and national parts distribution centre.

Safe havens

Investors are looking for safe havens due to the extended economic bust and market uncertainties. REITs are the next best thing to owning real properties for investment purposes. Crombie and Summit Industrial are excellent choices, as both REITs are proven passive-income machines. The cash outlay is lower, yet you become a pseudo-landlord receiving consistent, stable, and recurring income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:SMU.UN (Summit Industrial Income REIT)

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