3 REITs That Will Give You Dividends Every Month

Description

Real estate stocks, especially REITs, tend to offer higher dividends. But as 2020 has shown us, REITs also tend to be more open to the notion of slashing their dividends compared to other companies when they are going through constrained-income phases. Still, most REITs are an option worth considering when you want to start a passive income with dividend stocks for two reasons.

One is their relatively generous yield, and the second is monthly distributions. Even though the last shouldn't be a major factor to consider if you organize your finances more efficiently, but monthly distributions make things significantly simpler. And if you *are* looking to start a passive income with REITs, there are three that should be on your radar.

An undervalued REIT

Nexus REIT (TSX:NXR.UN) has been undervalued for some time now. It's currently trading at a price-to-earnings ratio of 6.7 and price-to-book ratio of 0.8 times. It has a portfolio of three different commercial real estate assets: 41 industrial properties, 13 office properties, and 22 retail properties. Nexus co-owns a lot of the properties in its portfolio, and its asset base might not be as impressive as many other commercial REITs.

Nexus is an impressive stock for two reasons. One is its generous 7.5% yield, and the other is its highly stable payout ratio of 50.8%. It explains why the company didn't slash its dividends in 2020, when many other REITs did, and why it might continue to reward its investors in the future as well. If the 2020 market conditions weren't harsh enough to push its payout ratio into dangerous territory, hopefully, it will only come down from here on.

An overvalued REIT

Crombie REIT (TSX:CRR.UN) is currently overvalued compared to other REITs, and it's *not* because it grew at a powerful pace after the market crash (only about 20% in the last 12 months). The REIT also doesn't offer a stable payout ratio, but it does have an impressive commercial properties portfolio.

It also offers historically high returns compared to several of its peers (an average of 8.4% in the last decade).

Its retail portfolio is anchored mostly by grocery and pharmacy businesses, making them relatively safe, even in shaky market conditions. Two other sections of the portfolio are retail-related industrial and office properties. The company is also looking into residential development. Currently, it offers a juicy yield of 5.6%, and it has sustained its payouts (and offered special dividends on occasion as well) in the last seven years.

A grocery REIT

Slate Grocery REIT (TSX:SGR.U) is currently relatively undervalued. It's trading at a price-to-earnings ratio of 7.8 and a price-to-earnings ratio of 0.8 times. It's also offering a mouthwatering yield of 7.1% at a relatively stable payout ratio of 98.37%, which isn't stable per se, but it *is* compared to REIT's historical payout ratios. It has raised its monthly payouts four times in the last five years.

The REIT is headquartered in Canada, but most of its properties are scattered around the United States. It has grown its share price by over 73% in the last 12 months, so if an investor had bought it right around the market crash, they would have locked in a sweeter yield and benefitted from decent capital gains as well.

Foolish takeaway

With $10,000 invested in each of the three REITs, you can start a passive income of about $168 a month. That's a decent enough sum, especially if it's coming out of your TFSA. In a year, the dividends might be enough to cover one-third of your next year's TFSA contributions ($2,000).

CATEGORY

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TICKERS GLOBAL

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2. TSX:NXR.UN (Nexus Real Estate Investment Trust)
3. TSX:SGR.U (Slate Retail REIT)

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Date
2025/08/24
Date Created
2021/04/17
Author
adamothman