Need Monthly Income? 3 Cheap REITs to Buy Now!

Description

Looking for monthly income? Consider buying real estate investment trusts (REITs) that generate monthly income from their real estate portfolios.

Here are three cheap REITs for your consideration.

Granite REIT

Granite REIT (TSX:GRT.UN) is a growing industrial REIT that pays an initial yield of 3.7%. It has increased its cash distribution for 10 years consecutively. Its three-year compound annual dividend growth rate is 3.6%.

You can expect Granite REIT to continue its dividend growth at this kind of rate. Its 2021 funds-from-operations (FFO) payout ratio is estimated to be about 74%. So, there's a margin of safety for its dividend.

The quality industrial REIT comprises 108 income-producing properties with a weighted average lease term (WALT) of approximately six years. About 67% of its portfolio is distribution or e-commerce properties. Granite REIT enjoys a high occupancy rate of 99%.

Investors should note that Granite REIT's largest tenant is **Magna International,** which contributes about 35% of the REIT's annualized revenue.

Magna is rebounding strongly after the pandemic disruptions last year. Moreover, it's awarded an S&P A- credit rating and has a WALT of more than four years with Granite REIT. So, there's no need for Granite REIT investors to be concerned until it gets closer to the four-year mark.

The REIT's cash flow is highly predictable. Analysts think that it's reasonably valued with about 8% upside potential over the next 12 months. This suggests near-term total returns of about 11.7% are possible.

H&R REIT

Despite rebounding nicely from the pandemic market crash selloff, **H&R REIT** (TSX:HR.UN) still has a long way to go before it gets back to the $20 range. That's an upside potential of about 28%. Its recent net asset value was $22.24 per unit, which could lead to even more extraordinary upside of more than 40%.

Based on the fair value of the properties, the REIT consists of 38% in office assets; 31% in retail; 22% in residential, and 9% in industrial. They're diversified across the U.S. (43%), Ontario (30%), Alberta (18%), and other Canadian provinces (9%). Its April rent collection was 94% across its entire portfolio.

Importantly, the diversified REIT pays a generous dividend yield of 4.4%. I'd say it has an absolute defense for its cash distribution. First, it has an FFO payout ratio of about 43%. Second, its FFO per unit is expected to improve by 2022.

Fronsac REIT

Fronsac REIT (TSXV:FRO.UN) offers monthly income with above-average growth potential in the REIT space. It provides a nice yield of just north of 4% right now!

Fronsac was defensive during 2020 during the height of the COVID-19 pandemic. It had an occupancy rate of 99% with no lack of growth. In fact, last year, it managed to grow its net operating income by 38%. Its FFO per unit also increased by 18%, exceeding its cash distribution per unit growth of 15%!

What's more impressive is that it ended 2020 with an FFO payout ratio of just 53%, which provides a big margin of safety for its dividend.

Fronsac outperforms because it employs a triple-net and management-free lease business model. This model allows it to save tonnes of costs.

Additionally, its tenants include grocery stores, gas stations/convenience stores, and quick-service restaurants, which are relatively defensive against economic downturns.

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TICKERS GLOBAL

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2. TSX:HR.UN (H&R Real Estate Investment Trust)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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Date
2025/07/03
Date Created
2021/05/19
Author
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