2 REITs for Both Growth and Passive Income

Description

One fact that investors and realists both understand and agree upon is that it's nearly impossible to have *everything* you want in life. Take stocks, for example. Dividends and capital appreciation are two ways you can make money off stocks, but the two naturally keep each other in check. If the stock grows at an aggressive pace, you get content with a lower yield. And if a yield is highly attractive, it might indicate that the stock is slipping.

Unless you buy an amazing dividend stock at a rock-bottom price during a market crash or a sector/stock-specific slump, the chances that you will get the best of both worlds are relatively low. But if you drop your "ideal" thresholds to relatively modest levels, you might be able to get a decent amount of both from two REITs.

An urban property REIT

Allied Property REIT (TSX:AP.UN) is a Toronto-based REIT that focuses on urban properties in seven major cities. It has the most extensive presence (area-wise) in Toronto and has properties in Calgary, Vancouver, Ottawa, Kitchener, Montreal, and Edmonton. Together, all the properties under Allied's purview cover 14 million square feet of area.

Ever since the inception, Allied's portfolio has grown at a CAGR of 27.2%. For investors, Allied offers an average annual total return of about 14.7%. If the REIT can keep this up and you invest $20,000 in the company now, your stake is likely to grow to $310,000 in about two decades.

The $20,000 investment will also yield $760 a year based on its current 3.8% dividend yield. If you keep accumulating that amount in your TFSA (just as a cash reserve), you will have about $15,000 saved up in two decades. Or you can use this sum to invest in other companies.

A commercial REIT

With the rise of e-commerce, several other businesses have started growing at a decent pace, and the

CRE business of logistics and warehouse properties are two of them. That's probably the reason that the revenue of **Granite REIT** (TSX:GRT.UN) has been growing consistently in double digits every quarter since the last quarter of 2019. Over two-thirds of the company's portfolio (area-wise) is associated with e-commerce and distribution businesses.

Granite has a geographically diversified portfolio of warehouse and logistics properties, though the bulk of it is saturated in North America, primarily the United States. In Europe, the company has 22% of its total properties spread out in five countries.

Granite's strong financials come with a decent 3.7% yield and a 10-year CAGR of 16.2%. If the company can keep this growth rate up, it might help you grow your $20,000 investment into $400,000 in about two decades. You will also get $740 a year in dividends.

Foolish takeaway

The two REITs offer a decent combination of growth and dividends, and whether you stow them away in your RRSP or keep them as income-producing assets in your TFSA, the REITs have the potential to be powerful additions to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)

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