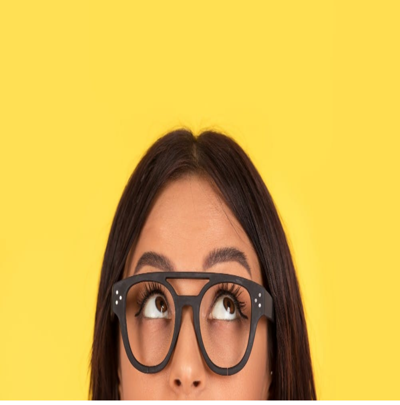

Canadian Investors: 2 No-Brainer Dividend Stocks for Monthly Income

Description

Who doesn't enjoy receiving income that flows in every month on its own? Right now, Canadians can lock in safe monthly income by buying these real estate investment trusts (REITs).

H&R REIT

Income-seekers should not be dissuaded by **H&R REIT** (TSX:HR.UN) because of its dividend cut last year during the pandemic. The reason is that investing is forward-looking.

First, investors shouldn't be worried about another dividend cut. The diversified REIT's funds-from-operations (FFO) payout ratio was 43.5% in the first quarter, which provides a much bigger margin of safety than the Q1 2021 76.5%.

Second, the REIT's net asset value (NAV) per unit stayed essentially flat at $22.24 versus a year ago. At $16.33 per unit, the stock trades at a meaningful discount of more than 26% from its NAV.

Third, in Q1, H&R REIT reported its office portfolio remained high quality. The portfolio had a high occupancy of 99.7% and an average remaining lease term to maturity of about 12 years. Moreover, tenants with investment-grade ratings contribute to 85.8% of the revenues. It also highlighted that its office tenants in Alberta are some of the strongest companies in the energy sector with an average remaining lease term of 15.8 years.

Its residential and industrial portfolios also remain defensive through the pandemic. Its residential portfolio has a recent occupancy of 88.4%, while its industrial portfolio's recent occupancy rate was 95.8% with an average remaining lease term of 6.2 years.

Its retail portfolio has also rebounded with a recent occupancy of 90.3%. Its average remaining lease term is 6.8 years.

H&R REIT enjoys higher weighted average cap rates of 6.54% and 6.79% on its office and retail portfolios. Combined with its diversified portfolio's multi-year leases, it should have no problem maintaining its payout which equates to a yield of 4.2%. On improving conditions, the REIT could even restore some of its cut cash distribution from last year.

In summary, the stock is a value pick and could be an excellent turnaround investment through 2022 for monthly income and price appreciation.

Fronsac REIT

You would also love the stability that **Fronsac REIT** (TSXV:FRO.UN) brings to your portfolio. Actually, the company will soon better reflect what it does with a name and ticker change to **Canadian Net Real Estate Investment Trust** (TSXV:NET) on June 22.

You might have heard of large triple-net players in the U.S. like **Realty Income** that pay solid income and tend to trade at premiums. Fronsac REIT operates under a similar business model, as a leading investor in Canadian commercial real estate leased on a triple net basis.

However, to Canadian investors' advantage, as Fronsac REIT is a smaller player, it is relatively unknown and trades at a discount to intrinsic value.

Triple-net leases require that variable costs like insurance, taxes, and maintenance are paid by tenants instead of the REIT, which saves tonnes of costs and results in more stable and predictable cash flows for Fronsac. Of course, this also means a more secure monthly cash distribution for unitholders.

Fronsac has proven to be a strong dividend stock with the following results in 2020 during the pandemic. Net operating income growth of 38%, an occupancy rate of 99%, FFO per unit growth of 18%, and an FFO payout ratio of 53%. Currently, it yields nearly 3.8%.

Food for thought

Consider holding REITs in Tax-Free Savings Accounts (TFSAs) to earn monthly income tax-free!

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