3 REITs That Print Money Every Month

Description

Real estate investment trusts (REITs) are alternative investments to typical dividend-paying companies . Canadian REITs trade on the TSX, so you can buy or sell them as you would stocks.

For property investors seeking rental income, REITs are substitutes to owning physical properties. The cash outlay is smaller, and you do away with the pressures of a true landlord. On the TSX, three names are reliable income generators; it's as if they print money every month. You can be a laid-back investor and receive recurring cash flows.

Unique real estate asset class

Automotive Properties (TSX:APR.UN) boasts solid fundamentals and an attractive leasing profile. It's a niche play, too, as it operates in the automotive retail industry. At $12.83 per share, the REIT pays a 6.32% dividend. Current investors enjoy a 24.4% gain thus far in 2021.

The portfolio consists of 66 income-producing properties where the dealerships or lessees cater to the mass market segments and luxury car buyers. The 32 global brands are primarily European and Asian. The REIT is growth oriented but meticulous when evaluating acquisition opportunities.

Besides the triple-net leases (tenant pays for all related and incidental costs), the weighted average lease term is approximately 12.4 years. Notwithstanding the ongoing pandemic, the REIT reported a 4.34% increase in rental revenue in Q1 2021 versus Q1 2020. Its net income soared 67.19%. Financial performance should improve when the economy fully recovers.

Top-performing industrial REITs

It's no wonder that **Nexus** (TSX:NXR.UN) and **Dream Industrial** (TSX:DIR.UN) are among the most resilient REITs in 2021. Their portfolios are predominantly high-quality industrial properties that are in demand due to the pandemic and e-commerce boom.

Nexus owns and operates 87 income-producing properties, where 52 (60%) are industrial and the rest or 40% are either offices or retail properties. Besides Canada, the REIT is present in select U.S. markets. Dream is more global with 186 industrial assets. The locations are in Canada and U.S., and it has a growing presence in Europe — specifically, in Germany and the Netherlands.

Nexus trades at $10.95 per share (+47.08% year to date) and pays a hefty 6.14% dividend. Dream Industrial's share price is $16.08 (+25.47% year to date), and it pays a 4.35% dividend. Dream is much bigger in market capitalization ($3.37 billion) than Nexus REIT's $369.29 million.

In Q1 2021 (quarter ended March 31, 2021), Nexus reported a 6.38% and 8.1% increase in property revenues and net rental income compared to Q1 2020. This REIT is relatively new on the TSX following its graduation from the TSXV on February 1, 2021. The occupancy rate was 94%.

During the same period, Dream's net rental income was 17.42% higher than in Q1 2020. The occupancy rate is 95.7%, while rent collections have returned to pre-pandemic levels. According to management, Dream did not enter any rent-deferral arrangements since Q2 2020.

Nexus and Dream Industrial are both growth oriented. The former is currently working on some deals and expects to shift further its portfolio weighting towards industrial. Meanwhile, the latter will capitalize on the pipeline of opportunities and deploy capital at a robust pace.

Pseudo-landlords

The Bank of Canada is the institution that can decide to print money in the country. However, I used the term here to highlight the ability of three top REITs to provide recurring monthly income streams to would-be investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:NXR.UN (Nexus Real Estate Investment Trust)

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Date
2025/09/18
Date Created
2021/07/16
Author
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