Passive Landlord: Get a Big Dividend of Up to 6.2%

Description

Real estate investing doesn't necessarily require you to take up the responsibilities of a landlord, such as making monthly mortgage payments, paying property taxes and strata fees, and managing properties and tenants. Passive landlords can leave all that to professional management teams by investing in safe real estate investment trusts (REITs).

Here are a few REITs for a diversified real estate portfolio from which you can consider earning a nice passive income. They could be particularly useful if you're in or near retirement and have a focus on income over growth.

Real estate investing in industrial properties

As a global REIT with a quality industrial real estate portfolio across Canada, the United States, and Europe, **Dream Industrial REIT** (TSX:DIR.UN) should enjoy a ride from the long-term e-commerce trend. About 88% of its annual gross rent is in distribution and urban logistics assets.

The company reported owning gross assets of $3.6 billion across 186 properties with a high occupancy of 97.2% at the end of March with a weighted average lease expiry of about four years.

Other than higher e-commerce penetration, management also sees multiple growth drivers. First, its average in-place rent is approximately 10% below the market's. Embedded rent growth, at the long-term inflation rate of about 2%, in current leases is also expected to drive organic growth.

Second, Dream Industrial enjoys a lower interest rate for its European debt — roughly 1.5% lower than its average interest rate. This could allow the REIT to grow faster in Europe which currently makes up about 14% of its overall portfolio.

Third, management highlighted that the company has more than 60 acres of land that can add up to approximately 1.5 million square feet to its gross leasable area, which would be quite meaningful — a 5.2% increase to its current portfolio.

Dream Industrial appears to be reasonably valued for a nice yield of 4.4%. Here's another solid REIT with international properties.

Invest in real estate with this healthcare REIT

Retirees or investors near retirement would welcome **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) to their passive real estate investment portfolio. It provides exposure to a globally diversified portfolio of high-quality healthcare real estate assets.

The company owns about $7.7 billion of assets across 186 properties with a high occupancy of 97.0% and a weighted average lease expiry of roughly 14 years. More than three-quarters of its leases are indexed to inflation, which provides another layer of protection for its cash distribution on top of its funds-from-operations payout ratio of 87%.

GreenStreet Advisors projects that, from 2020 to 2024, the net operating income growth rate to be about 6% in the healthcare real estate industry, which would be attractive versus other real estate industries and comparable to the growth rate expected for malls and student housing.

NorthWest Healthcare Properties REIT is fairly and provides a 6.2% yield. It is a leading REIT to gain exposure to global healthcare real estate for income. It has more than 2,000 tenants across healthcare properties in seven countries, including Canada, Brazil, Australia, New Zealand, the United Kingdom, and Germany.

Food for thought

Dream Industrial REIT and NorthWest Healthcare Properties REIT are good considerations for investors who need income. Hold them in your Tax-Free Savings account to enjoy tax-free monthly income worry-free. Professional management teams will take care of the mortgage payments, property management, etc.

All you need to worry about is adding to your positions at a good price. Interest rate hikes could lead to dips in REIT stocks, providing more attractive entry points and boosting your passive monthly income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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