3 Cash Cows Paying More Than 6% Dividends

Description

Money is tight in the pandemic-induced recession, but there are options that will allow your money to make more money. If you purchase and own shares of three real estate investment trusts (REITs), you have cash cows to boost your disposable income.

The average dividend yield of **Automotive Properties** (TSX:APR.UN), **NorthWest Healthcare Properties** (TSX:NWH.UN), and **SmartCentres** (TSX:SRU.UN) is 6.21%. A $30,000 ($10,000 in each stock) investment will produce $155.25 in passive income every month. If you reinvest the dividends instead, your money will compound to $54,799.34 in 10 years.

Auto dealerships

Automotive Properties is growth-oriented with a niche play. This $498.87 million REIT owns 66 income-producing automotive dealership properties across Canada. The dealer property brands are primarily European and Asian, from low-end to luxury car models.

The REIT has low operating costs because of the triple-net lease contracts. Tenants or lessees spend money on realty taxes, property insurance, repair & maintenance, and utilities. They're also responsible for non-structural improvements. The average lease term is currently about 12.4 years, and each lease has a contractual fixed-rent increase provision.

You might think the REIT didn't make money during the pandemic. On the contrary, management reported a 4% increase in rental revenue in Q1 2021 (quarter ended March 31, 2021) versus Q1 2020. Notably, net income was a high 67%. At $12.77 per share and a 6.30% dividend, you get the best deal from Automotive Properties.

Pandemic stock

NorthWest Healthcare is undoubtedly the top pandemic stock in the real estate sector. It has a market cap of $2.79 billion and is the only real estate stock in the cure sector. The REIT owns and operates

186 income-producing properties consisting of hospitals, clinics, and medical office buildings in Canada and internationally.

The total revenue of $92.6 million in Q1 2021 (quarter ended March 31, 2021) was stable, although net operating income (NOI) slid slightly by 3% versus Q1 2021. Rent collections and property occupancy were high at 98.6% and 97%, respectively. Regarding lease contracts, the weighted average expiry is 14.3 years.

Management lists two key priorities for the rest of 2021. The REIT will pursue geographic expansion to scale its global asset management platform. The current share price is $12.97, while the dividend yield is 6.17%.

Fully-integrated high-yield REIT

SmartCentres is nearly double the size of NorthWest Healthcare. As of August 3, 2021, the market cap is $5.1 billion. This REIT is fully integrated with 168 properties in its value-oriented portfolio. The top four contributors to recurring income are residential apartment buildings (96), high-rise condos (72), self-storage facilities (50), and seniors' residences (40).

The rental business suffered in 2020 due to the pandemic. In Q1 2021 (quarter ended March 31, 2021), net operating income dipped 5.9% versus Q1 2020. Management attributes it to a decrease in base rent and an increase in bad debt. Despite the government-mandated shutdowns, SmartCentres reported 97% and 97.3% in in-place and committed occupancy rates.

Note that SmartCentres has 3,400 tenants and Wal-Mart is the anchor tenant in 115 properties. At $29.97 per share, investors enjoy a 35% year-to-date gain. The dividend offer is a hefty 6.17% dividend.

Create a financial cushion

If you socked away money during the pandemic, it would help you financially if you can invest some in the three REITs in focus. The cash cows can provide a much-needed cushion.

CATEGORY

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2. Investing

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2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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