3 REITs to Buy if You Want to Become a Lazy Landlord

Description

Not all real estate investors in Canada own physical properties. Those who want to earn rental income without the responsibilities of a landlord take a different route. You can gain access to the real estate sector through real estate investment trusts (REITs).

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REITs are the alternative investment for timid or lazy landlords. You can trade them like you would regular stocks. **Dream Industrial** (TSX:DIR.UN), **Nexus** (TSX:NXR.UN), and **Automotive Properties** (TSX:APR.UN) are among the top choices today. Their rental businesses are stable and not likely to sour anytime soon.

High-demand properties

Dream Industrial owns and operates in-demand industrial real estate in two continents. Its global investment platform consists of 317 properties in Canada, Europe, and the United States. This $3.47 billion REIT focuses on urban properties, where the locations are primarily in thickly populated areas.

According to its CEO Brian Pauls, Dream Industrial is well positioned to capitalize on the growing e-commerce demand. The 19% net rental income growth in the first half of 2021 versus the same period in 2020 indicates strong leasing momentum. At the end of June 30, 2021, Dream's occupancy rate jumped to 98%.

Imminent growth

Nexus is not even 12% the size of Dream Industrial but is already showing impressive financial results. This $400 million REIT is growth oriented with a primary focus on industrial, commercial properties. Its portfolio consists of industrial, office, and retail properties, where 54, or 60%, are industrial assets.

Based on Nexus's table of receivables, management looks to receive $266.6 million from theremaining lease terms for the rest of 2021 until 2025 and thereafter. In the six months ended June 30,2021, net rental income reached $22.8 million. The figure is 16% higher than the same period in 2020.

As of June 30, 2021, the occupancy rate is 96%, while the weighted average remaining lease term is 4.7 years. In Q3 2021, Nexus was prudent in the pursuit of growth opportunities. It acquired four more industrial properties recently.

Unique asset class

Automotive Properties is a complete departure from Dream Industrial and Nexus. This $504.34 million REIT is also growth oriented but focused on income-producing automotive dealership properties. Management banks on the solid underlying fundamentals of Canada's automotive retail industry.

The tenants in the 66 income-producing properties cater to the mass market and ultra-luxury customers. Most of the 32 brands sold in the dealerships are European and Asian vehicles. Automotive sales picked up in 2021, as evidenced by the REIT's turnaround in the first half of 2021.

Automotive Properties reported $44.2 million in net income compared to the $7.6 net loss in the six months ended June 30, 2020. Long-term organic growth is visible given the weighted average lease term of 13 years (after the first half of 2021) and the triple-net lease agreements signed by the tenants.

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Income providers

You don't need to dig deep in your pockets to purchase any of the three REITs. The share prices range from $12.80 to $16.60. For dividend comparison, Automotive Properties pay the highest at 6.23%. However, Dream Industrial (4.21%) and Nexus (5.41%) offer attractive yields, too.

The number of pseudo-landlords continues to grow in Canada, because the top REITs are generous income providers. You don't have the pressure of real landlords nor exposed to vacancy risks. Just sit pretty and let the REITs generate the cash for you.

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TICKERS GLOBAL

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

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