3 REITs That Offer More Than Just Dividends

Description

REITs are a great way to become a landlord, with a lot of the upside and shelter from the legwork and risks associated with becoming a landlord. Thanks to their generous dividends, they allow you to generate a decent amount of passive income. But that's not the only thing that they are good for. With the right REITs, you can also add a lot of capital-growth potential to your TFSA and RRSP portfolios.

A residential REIT

Interrent REIT (TSX:IIP.UN) focuses on residential properties, and it's one of the few REITs that have grown their dividends for long enough to claim the title of aristocrats. In the case of Interrent, that's about nine years. But even though it has grown its dividends for quite a while, the yield is usually not high enough to be the main attraction of this stock.

Currently, the REIT is offering a 1.95% yield. And that's after a 9% fall from its recovery peak. A significantly more compelling reason to consider this stock is its powerful 10-year CAGR of 23.6%, and even though the stock is having some trouble reclaiming its pre-pandemic growth streak, it might not be a bad thing for investors. You can buy this amazing growth REIT at a bargain price and valuation.

An attractive commercial REIT

If you are looking for a different kind of exposure from your growth-oriented REITs, **Granite REIT** (TSX:GRT.UN) offers great contrast. The commercial REIT has invested quite heavily in light industrial assets, and the bulk of them are associated with e-commerce — one of the most coveted real estate asset classes right now.

And when it comes to growth, Granite's 10-year CAGR of 18.5% is not too far from Interrent's, and it's far more consistent. Granite's post-pandemic growth has been relatively more consistent. However, Granite stock has dipped a bit in the last few days, which was great for both valuation and yield. The stock is currently quite attractively valued and is offering a decent 3.3% yield.

An industrial REIT

Another REIT that offers a powerful combination of capital-growth potential and dividends is **Dream Industrial REIT** (TSX:DIR.UN). Its attraction is both the pace as well as the consistency of the growth it offers. The REIT has a five-year CAGR of 23.4% and is currently trading at a price-to-earnings multiple of just 8.3 and a price-to-book multiple of 1.2 times.

And this growth potential comes with a juicy 4.3% yield. The REIT, like Granite, is focused on industrial properties, albeit with a slightly different portfolio mix. It has 215 assets in its portfolio, and the properties are worth about $4.7 billion. The REIT also enjoys an incredibly healthy committed occupancy rate of 98%, which endorses the sustainability of its dividends.

Foolish takeaway

The dividend stocks combined offer a sizeable enough yield to help you start a passive-income stream if you invest a sizeable enough sum in them. And since two out of three are aristocrats, the payouts are likely to keep growing over time, although not as fast or as much as your capital, if the REITs can maintain their growth pace.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:GRT.UN (Granite Real Estate Investment Trust)
3. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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