3 REITs That Are Monthly Income Machines

Description

When it comes to starting a dividend-based passive income, REITs tend to be a great choice. Not only do they offer better yields, but they usually pay monthly dividends. This combination of a more practical frequency and higher payouts is quite useful. But make sure you also focus on the sustainability of the payouts before you start to rely on that monthly income.

A well-diversified REIT

H&R REIT (TSX:HR.UN) can be considered a well-diversified REIT, thanks to its portfolio. It has a portfolio worth $13.1 billion and is made up of 32 offices, 321 retail, 80 industrial, and 24 residential properties. Most commercial REITs tend to stay clear of residential properties, but H&R has added a sizeable number of these properties to its portfolio.

This gives the REIT exposure to a relatively more volatile but also powerfully growing asset class. However, the exposure is small enough to contain the damage, even if a housing crash is on the horizon.

The REIT is currently offering a decently modest yield of 4.17% (for a REIT). The yield is also lower because the REIT has already slashed its dividends once, which has pulled the payout ratio down to reasonable secure levels.

An aristocratic REIT

One way to make sure that your payouts are secure, it's a good idea to invest in an aristocratic REIT like **CT REIT** (TSX:CRT.UN). This particular REIT is stable for another reason as well, that is, its reliable tenant base (**Canadian Tire**). While interdependency *can* become a double-edged sword, so far, it has been a blessing for the REIT.

It's currently offering a juicy 4.6% yield, and even though the value is a bit high, it's not high enough to dissuade you from this decent combination of yield and capital appreciation potential. Its dividends are quite financially stable, as its payout ratio hasn't crossed the 100% mark in the last several years, including 2020.

A high-yield REIT

True North Commercial REIT (TSX:TNT.UN) is a relatively small REIT that's offering a magnificent 7.9% yield right now. It has sustained its dividends despite the tough 2020, even though the payout ratio was and still is above 100%. It's currently offering a payout of $0.0495 per share. And while capital appreciation is not exactly part of the package, the REIT might still offer some since it has yet to reach its pre-pandemic peak.

The valuation, while not exactly attractive, is not too expensive either. True North, as the name suggests, is a commercial REIT with a modest-sized portfolio of 45 properties diversified over five provinces, though most of the properties are in Ontario. Its tenant portfolio is quite decent as well. About one-fourth of the portfolio comes from the federal government and Alberta government.

Foolish takeaway

REITs are easily one of the most coveted classes of dividend stocks, but it's important that you don't let the allure of the high-yield distract you from something more important, that is, the sustainability of the dividends. The value at which you buy the REIT will most likely be in your favour from a dividend perspective as well because if you buy the dip, you will likely get better value *and* lock in a better yield.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:HR.UN (H&R Real Estate Investment Trust)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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