Get Monthly Passive Income From 2 Canadian REITs

Description

You don't need to have a mortgage on your back to be a landlord and earn rental income from real estate investing. You can immediately transform into a passive landlord by buying units of Canadian real estate investment trusts (REITs). These REITs are managed by professional management teams and are definitely much more diversified than Canadians buying real estate properties one by one. You can also choose the areas you want to invest in — residential, healthcare, industrial, etc. Additionally, price appreciation is in the cards if the REITs grow their funds from operations per unit (FFOPU) or if you buy them when they're undervalued.

Here are a few Canadian REITs you should check out. Rising interest rates could trigger a pullback in these stocks, which inherently have a sizeable debt on their balance sheet.

Granite REIT

Granite REIT (TSX:GRT.UN) has done exceptionally well as an industrial REIT. It has run up 28% in the last 12 months. It is a Canadian Dividend Aristocrat with a dividend-growth streak of 11 consecutive years. Last month, it just raised its cash distribution by 3.2%, which aligns with its three-year dividend-growth rate of 3.3%. Its dividend-growth rate should keep pace or beat the long-term inflation rate, which is not bad for a Canadian REIT. Not all Canadian REITs maintain a dividend-growth streak.

Interestingly, the Canadian REIT has been able to grow its retained earnings, which more than doubled in the last three quarters to over $1.4 billion. Furthermore, its payout ratio is relatively low compared to most REITs. Its 2022 payout ratio is estimated to be approximately 71%. The well-run industrial REIT should continue to grow its FFOPU at an above-average pace among Canadian REITs. The general analyst consensus has a 12-month price target of $111 on the stock, which suggests almost 11% upside potential over the near term.

Right now, Granite REIT yields nearly 3.1%. Due to a potential pullback from rising rates, passive-income investors may get opportunities to buy for an even higher yield.

Chartwell Retirement Residences

Chartwell Retirement Residences (TSX:CSH.UN) is another interesting Canadian REIT to consider. It owns senior housing properties primarily in Ontario and Quebec, though it's also a landlord in British Columbia and Alberta. The dividend stock is still about 6% below pre-pandemic levels.

As a Canadian REIT that owns and operates seniors housing, it should benefit from a growing aging population in the long run. Christine Poole, the CEO and managing director at GlobeInvest Capital Management, likes the company for this precise reason. She also favours Chartwell due to its portfolio mix — 91% of its net operating income comes from private retirement homes (and only 9% originates from long-term-care homes).

The seniors housing leader is a nice income stock to own. At $12.17 per unit at writing, it yields 5%. It is a Canadian Dividend Aristocrat with a dividend-growth streak of seven years. Its recent dividend-growth rate has been about 2%.

The Foolish investor takeaway

Between the two Canadian REITs, Granite REIT provides greater growth potential and Chartwell offers a bigger yield. So, they provide a good mix of income and growth. You can get passive monthly income from them tax free by holding them in your Tax-Free Savings Account.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)

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