



## 3 Cash Cows for Passive Income Investors

### Description

Canada's housing market remains red-hot despite the looming start of the interest rate hike cycle. Apart from the unprecedented sales growth, prices or home valuations have risen exponentially. The affordability crisis could continue if housing supply stays low.

Meanwhile, investors who want exposure to real estate need not buy or make direct investments in physical properties. Real estate investment trust (REIT) investors are growing in numbers because the asset class is full of [passive income](#) providers, if not cash cows.

The standouts today are **Slate Grocery** ([TSX:SGR.U](#)), **BTB** ([TSX:BTB.UN](#)), and **Automotive Properties** ([TSX:APR.UN](#)). Prospective investors become pseudo-landlords of prime real estate and [earn rental-like income](#).

### Low-risk business model

Slate Grocery is a top choice of [risk-averse investors](#) because the business model is low-risk. This \$907.3 million REIT owns and operates high-quality properties in the United States. About 96% of the 107 properties in 23 states are grocery-anchored assets. The best part to investors is the exposure to the world's largest grocers, including anchor tenants **Kroger** and **Walmart**.

As of September 30, 2021, the occupancy rate is 94.4%, not yet including completed acquisitions in Q3 2021. According to management, it was the fifth consecutive quarter of increased occupancy. The acquisition of 25 quality grocery-anchored properties on September 22, 2021, was transformational and the largest single acquisition by a multiple of four.

The real estate stock trades at \$15.32 per share (+6.83% year-to-date) and pays a 7.17% dividend.

### Strategic growth

BTB is absurdly cheap (\$4.04), yet it pays an eye-popping 7.43% dividend. This \$297.9 REIT leases

properties (office, retail, and industrial) in eastern and western Canada. Among its top and high-profile tenants are the Public Works & Government Services Canada and the provincial government of Quebec.

The portfolio across all asset classes and geographic regions displayed stability, notwithstanding the challenging environment. According to management, rent collections after the first three quarters of 2021 were more than 99%, or 99.2% of the cumulative rents for the year. BTB has yet to report last year's results, where the REIT's asset valuation top \$1 billion, a major achievement in its history.

Over the next five years, BTB's goal is to double the value of its total assets through strategic and intelligent growth.

## Unique REIT

Automotive Properties is growth-oriented but a unique real estate asset class. The \$709.71 million REIT owns automotive dealerships across key markets in Canada. Auto dealers in the 66 income-producing properties carry 32 global brands. Their target customers are from the mass market segment to high-end, luxury brands.

The leasing profile is very attractive owing to the overall leasing maturity. As of September 30, 2021, the lease portfolio matures between 2026 and 2040. Also, the strong underlying fundamentals of Canada's automotive retail industry makes this REIT an exciting investment option.

The pandemic had a negative impact on sales, although the industry's recovery didn't take long. Net income after the first three quarters of 2021 reached \$75 million compared to the \$3.21 million net loss in the same period in 2020. At \$14.48 per share, APR.UN pays a hefty 5.55% dividend.

## Not a pastime anymore

Earning passive income through dividend investing is no longer a pastime but a necessity in 2022. Taking positions in cash cows from the real estate sector could help investors cope with rising inflation.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:BTB.UN (BTB Real Estate Investment Trust)
3. TSX:SGR.U (Slate Retail REIT)

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