TFSA Investors: 3 Canadian REITs to Buy for Monthly Income

Description

Real estate investing is an essential component of a long-term investment portfolio. However, investors don't necessarily need to take on debt to gain exposure. From the group of real estate investment trusts (REITs) available, TFSA investors can generate monthly income tax-free as passive landlords!

When bought at reasonable valuations, quality Canadian REITs should provide at least market returns in the long run. Many Canadian REITs also provide market-beating yields, which is an essential part of the total returns.

Here are some Canadian REITs that provide monthly cash distributions.

Choice Properties REIT

In 2021, **Choice Properties REIT** (TSX:CHP.UN) reported a rental revenue increase of 1.6%. Net operating income (NOI) growth of 3.2%, and same-asset NOI growth of 2.5%. Its occupancy rate was 97.1%. Its funds from operations (FFO) per unit rose 3.6%. At $15.60 per unit at writing, it is fairly valued and yields 4.7%.

Andrew Moffs gave a quick overview of the stable REIT:

> "Choice Properties REIT is a stable income provider you can add to any portfolio. We like it. It has great real estate nationally. Its biggest tenant is **Loblaw**, so it has a secure cash flow. An element of growth, which is unique, from the industrial sector. Nice combination of safety and growth. Hold and sleep well at night with the distribution yield."
> *Andrew Moffs, senior vice president and portfolio manager at Vision Capital*

If possible, interested investors should try to buy on dips should the Canadian REIT retreat to about $14.50 per unit for example.

Chartwell Retirement Residences

Both Chris Blumas and Greg Newman like **Chartwell Retirement Residences** (TSX:CSH.UN).

> "Chartwell consists of long-term care and retirement homes. It has a tremendous demographic growth profile. We believe it's trading at very inexpensive valuations. A lot of U.S. money is coming into the space. More supply will get built."
> *Chris Blumas, portfolio manager at Raymond James Investment Counsel*

> "The Russia-Ukraine conflict and interest rate situation favour quality names like this. Chartwell trades at around 15 times with a growth rate of 16% and a 5% yield. It's a defensive stock so it should have a pretty smooth ride with growth and distribution."
> *Greg Newman, senior wealth advisor and portfolio manager at Scotia Wealth Management*

I would like to add that the Canadian REIT's growth rate is high in the near to medium term, because it's on the recovery path from the cash flow reduction due to pandemic impacts. At writing, Chartwell trades at $12.14 per unit, trades at a neat discount of about 14%, and yields approximately 5%.

Canadian Net REIT

Canadian Net REIT (TSXV:NET.UN) acquires and owns high-quality triple-net and management-free commercial real estate properties across about 92 properties. This means it gets save costs on insurance, taxes, and maintenance that are paid by its tenants instead. In other words, it gets to enjoy a more stable and predictably growing cash flow.

Because of its small size and acquisitive nature — buying suitable real estate properties one at a time — it has been growing its FFO per unit at a higher pace than others. Its five-year FFO-per-unit growth rate is about 18%, while it has increased its cash distribution by about 13% per year.

At $7.85 per unit, the high-growth Canadian REIT is undervalued by about 14% and offers a yield of 4.3%. Mark the calendar for March 23 to get the latest updates (Q4 2021 results) on the quality Canadian REIT!

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TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:CSH.UN (Chartwell Retirement Residences)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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