Passive Income: Top 3 REITs for Steady Dividends

Description

Real estate investment trusts (REITs) are usually the best option for investors seeking passive income. However, a combination of rising interest rates and inflation has made some REITs more appealing than others. Some landlords could face higher interest costs and lower book value in the months ahead. Investors need to seek out alternatives.

Here are the top three REITs that offer better yields and could be more resilient than the rest of the market.

Retirement homes

Chartwell Retirement Residences (TSX:CSH.UN) is a niche passive-income opportunity. The company operates one of the largest chains of nursing homes in Canada. This sector faced tremendous cost headwinds in recent years due to the pandemic. However, its long-term outlook remains intact.

Canada's rapidly aging population makes retirement homes an appealing asset class. The number of seniors (people older than 65) has tripled over the last 40 years. Over the next 20 years, this cohort is expected to expand further by 68%. Companies like Chartwell provide a critical solution for this segment of the population.

The REIT offers a 5.2% dividend yield and trades at 22.5 times annual funds from operations (FFO).

U.S. grocery stores

The pandemic and inflation is wreaking havoc on most of the economy. However, essential services like groceries remain immune to this turmoil. That's what makes **Slate Grocery REIT** (TSX:SGR.U) so appealing. It's the only pure-play U.S. grocery store investment firm on the Toronto Stock Exchange.

Year to date, Slate Grocery has lost 3.4% of its value. That means it outperformed the rest of the market, which is down 6.4% over the same period.

The REIT offers a 7.7% dividend yield and trades at 1.14 times book value per unit. It could be an ideal target for risk-averse investors seeking reliable passive income.

Canadian offices

The return to offices is another key theme of 2022. For the sake of collaboration, data security, and client interactions, most traditional companies have decided to call employees back to the office. That's good news for commercial landlords like **Slate Office REIT** (TSX:SOT.UN).

The company manages a portfolio of 55 properties, collectively worth over $1 billion spread across Atlantic Canada, Ontario, the U.S., and Ireland. The company expects 76% of employees to return to its offices once these regions have achieved "herd immunity."

Slate's units are still trading below their pre-pandemic high. However, the company could see more leases and higher income in the months ahead. That means its dividend yield and free cash flows could see substantial upside.

At the moment, Slate Office units offer an 8.3% dividend yield and trade at a 35% discount to net asset value. The stock is down 3.8% year to date, which could be a buying opportunity for long-term investors.

Bottom line

Investors seeking passive income in the face of rising rates and inflation should keep an eye on niche grocery and office REITs.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:RPR.UN (Ravelin Properties REIT)
3. TSX:SGR.U (Slate Retail REIT)

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