2 REITs to Buy for Monthly Passive Income of $1,000

Description

Like most investment goals, passive investment goals change over time. You can't expect to make a sizeable enough passive income when you are young and have relatively little to invest in.

However, when closer to retirement, you may start diverting a hefty portion of your overall savings/retirement nest egg amount towards a passive-income source.

And with enough capital at your disposal, it's easy to start a sizeable monthly passive income with the right investments, like high-yield REITs.

A commercial REIT

True North Commercial REIT (TSX:TNT.UN) is a small-cap REIT with a portfolio significantly more sizeable than its market cap. It's also geographically diverse, with 46 properties in five provinces, though Ontario naturally has the highest concentration of properties.

The REIT also boasts a very stable tenant base, about three-fourths of which is credit rated businesses/entities.

The other numbers, like occupancy rate and usual rent collected, are quite decent as well. The weighted average lease term is just a bit over four years, which might not seem very impressive, but with credit-rated tenants, the probability of lease renewal is relatively high.

The true strengths of this REIT as an investment are its powerful yield and its dividend sustainability. It has been paying the same dividend since 2014 and has sustained its payouts, even when the payout ratio grew well over 100% (four out of the last eight years). It has also sustained yields as high as 11.65%, so the current 9.15% is in the safe zone, especially with the current payout ratio of 94%.

At this yield, you can start a $1,000 a month passive income with this REIT alone by investing about $132,000 in it.

A pure-play office REIT

If you are looking for a pure-play office REIT, **Inovalis REIT** (TSX:INO.UN) is an option worth considering. While focusing on one asset class alone might not seem like an intelligent diversification move, the REIT offers this positive trait from a different angle — i.e., geography. It has a purely European portfolio — 14 properties in three countries (France: seven; Germany: six; and Spain: one).

This diversification and separation from the local market make it quite attractive, but it's the secondary reason to invest. The first is the safety of its dividends. It hasn't slashed its payouts once since 2015, and the payout ratio only crossed over to the dangerous territory (above 100%) once. The robust 10.7% yield is currently sustained by a healthy payout ratio of 88.6%.

If you invest about $113,000 in this REIT, you can start a passive income of about $1,000 a month, perhaps more if the REIT issues a special dividend like it did in 2020.

Foolish takeaway

Both REITs pay monthly dividends, so the frequency is already in favour of a monthly passive income. Collectively, you will need about $121,000 to start a passive income of $1,000 from the two REITs (divided equally between them). And since they have proven their mettle in dangerous markets like 2020, you can be reasonably sure about the consistency of your payouts with this real estate investment.

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