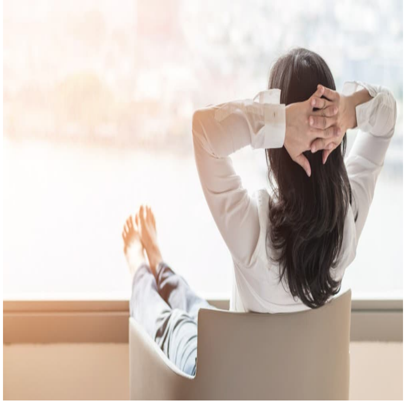

Lazy Landlords: 3 Cheap Canadian REITs to Buy in May 2022

Description

Real estate investing doesn't come as easy as this. Become a passive landlord by buying Canadian real estate investment trusts (REITs) and leave the work to the professional teams behind the REITs. The REIT management will take care of property management and decide what properties to invest in or take profit from. Oh, and passive landlords don't have to worry about the burdens of mortgages — leave that to the REIT management as well.

Lazy landlords invested in Canadian REITs can simply sit back, collect monthly income, and watch their wealth swell. Just make sure to buy the REITs on discounts. Here are three cheap Canadian REITs to consider buying in May.

InterRent REIT

InterRent REIT (TSX:IIP.UN) is a growth-oriented, multi-residential REIT. It's focused on growing the funds from operations (FFO) and net asset value (NAV) on a per-unit basis. Additionally, it's committed to paying out sustainable and growing cash distributions while maintaining a conservative balance sheet.

In the first quarter, InterRent experienced FFO-per-unit growth of 16.7%. Its year-over-year occupancy also improved 4.2% to $95.5%. Its financial position remains healthy with a weighted average interest cost of 2.51%, 71% of CMHC-insured mortgages, and interest coverage of 3.31 times. Furthermore, at the end of the quarter, it also had approximately $255 million of available liquidity.

Its FFO payout ratio is estimated to be about 60% this year, which provides ample room to protect its monthly cash distribution. At $13.54 per unit at writing, the Canadian REIT yields 2.5%. Importantly, analysts think InterRent REIT is discounted by about 27%. Therefore, the REIT can potentially appreciate 36% over the next 12 months.

Dream Industrial REIT

To diversify away from residential real estate, lazy landlords can invest in **Dream Industrial REIT** (TSX:DIR.UN) for a yield of just over 5%. The industrial REIT invests, operates, and manages a $6 billion portfolio across Canada (63% of portfolio) and Europe (37%). This portfolio is comprised of 244 properties that has a high committed occupancy of 98.7% and a weighted average lease term of 4.6 years.

Management sees strong rent mark-to-market potential, which can drive organic net operating income growth. Dream Industrial REIT also has embedded indexation to support rent growth over time. Additionally, its development pipeline and value-add investments should support a rising NAV.

Its 2022 FFO payout ratio is estimated to be about 79%. Importantly, analysts estimate the REIT is undervalued by about 26%. Consequently, Dream Industrial REIT has a 12-month upside potential of 34%.

Canadian Net REIT

To round up a nice, diversified REIT portfolio, I'd like to introduce **Canadian Net REIT** (TSXV:NET.UN), which is invested in about 95 commercial properties. Its portfolio is largely (close to 87%) located in the populous provinces Ontario and Quebec. Because it owns quality triple-net and management-free real estate properties, it's able to keep costs low, which leads to more stable cash flow generation.

Its yield of approximately 4.6% is competitive. Further, its monthly cash distribution is sustainable and growing. Its 2022 FFO payout ratio is estimated to be 52%. And its five-year dividend-growth rate is incredible at 13.3%. At $7.33 per unit, the Canadian REIT is discounted by about 21%. It has almost 27% near-term upside potential.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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