Earn a Monthly Income of $260 From These 3 REITs

Description

Choosing REITs for a monthly passive income is an easy choice for two reasons — distribution frequency and high yields. However, these two shouldn't be the only things you look into when choosing your monthly income cash cows. You should also look into the probabilities of a REIT cutting or raising its payouts and the capital-appreciation potential they bring to the table.

So, if you have about $60,000 to invest in a passive-income portfolio of REITs, three decent options can help you earn an income of roughly $260 a month.

A retirement residence company

Chartwell Retirement Residences (TSX:CSH.UN) gives you access to a market segment almost always in demand — retirement homes. It's one of the country's largest providers of retirement residences and has an impressive and geographically diversified portfolio. There are only a handful of similarly sized players in this particular marketplace, which gives the REIT its edge.

The dividends are an essential part of the investment's charm, and even though it offers a healthy enough yield, the payout ratio is usually abnormally high. Still, it hasn't slashed its payouts once in the last decade and raised its payouts (slightly) three times in the previous five years. At its current yield of 4.89%, Chartwell will offer monthly payouts of about $81.5 with $20,000 invested.

A retail-heavy commercial REIT

Business relationships like the one **Choice Properties REIT** (TSX:CHP.UN) has with **Loblaw** since the REIT was spun out of the retail giant — i.e., made from its real estate assets, can be quite an attractive part of an investment. The REIT has a rich retail portfolio, and even though it's expanding its reach and diversifying, that still remains the REIT's core.

And with a tenant like Loblaw anchoring many of its properties, the REIT's financials might be a shade more secure than most comparative REITs. This is reflected in its incredibly stable payout ratio. The

REIT offers a decent 4.98% yield with a modest capital-appreciation potential thrown in the mix, which is suitable for a monthly income of about $83 with $20,000 capital invested in the REIT.

A small industrial REIT

Nexus Industrial REIT (TSX:NXR.UN) was one of the most gloriously generous REITs during the pandemic, offering a mouthwatering yield. Even now, when the REIT is trading at a premium to its pre-pandemic peak, it's offering a decent yield of about 5.81%, which will result in a monthly income of about $96.8 with the remaining $20,000 of the original $60,000 invested.

As the name suggests, it's primarily an industrial REIT, with about 84% of the portfolio dedicated to industrial properties. There are a total of 106 properties, and the portion that's not industrial is dedicated to retail and office properties. The geographic diversification is comparatively healthier, and the bulk of the portfolio is in three provinces: Alberta, Ontario, and Quebec.

Foolish takeaway

When investing in real estate in Canada, REITs are an option worth considering — almost always. They are within reach of most retail investors (from a financial perspective), and you might be able to start a sizeable passive income like $260 a month with a relatively modest amount of capital — an amount that might not even be enough for a healthy down payment for most properties in Canada.

CATEGORY

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2. TSX:CSH.UN (Chartwell Retirement Residences)
3. TSX:NXR.UN (Nexus Real Estate Investment Trust)

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Date
2025/07/21
Date Created
2022/05/26
Author
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