2 Cheap Canadian REITs for Passive Income

Description

Real estate investing can be a lot of work and can require massive investments. Investors need to select good locations, manage and maintain properties, and make big investments for each property. But it doesn't have to be that way.

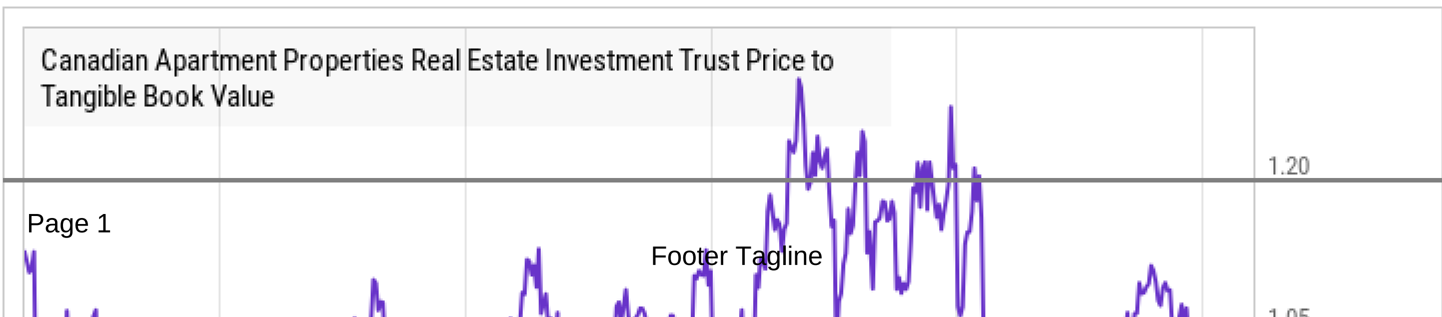
For some investors, passive investing in real estate investment trusts (REITs) is the way to go. REITs are often internally managed. They're diversified across a portfolio of properties. The management team takes care of deciding which properties to invest in. It also handles mortgages, collects rents from tenants, manages the property portfolio, and pays for insurance, etc. Real estate investing in REITs is much less work for a passive investor who primarily needs to identify which REITs to buy and *when* to buy (and potentially sell) them.

The expectation for higher interest rates has triggered a correction in many Canadian REITs. Bank of Canada, Canada's central bank, is expected to increase the benchmark interest rate, which will, in turn, translate to generally higher interest rates over time in order to combat the higher-than-normal inflation rate we have been experiencing recently. *CBC* reported that last month's inflation rate of 6.8% was the highest levels in 31 years! This is 3.4 times the long-term target inflation rate of 2%.

CAPREIT

Canadian Apartment Properties REIT (TSX:CAR.UN), or CAPREIT, is a solid name to buy in a defensive asset class. It is the largest multi-residential REIT on the **TSX** whose portfolio is primarily populated with 59,620 multi-family suites and manufactured home community sites.

The Canadian REIT is characterized by stable cash flows supported by high occupancies. In the past decade, CAPREIT increased its funds from operations (FFO) per unit at a compound annual growth rate (CAGR) of 5.7%. Its occupancy in 2021 was 98.1%. In the pandemic year of 2020, it was still solidly high at 97.5%.



CAR.UN Price to Tangible Book Value data by YCharts

After a stock correction of about 22% from its 52-week high, the monthly dividend stock trades at the low end of its 10-year valuation range based on the price-to-tangible-book-value. Therefore, it's an opportunity to build a position in CAPREIT. The stock also provides a safe yield of close to 3%.

Here's another Canadian REIT in another industry that's also trading at a discount.

Canadian Net REIT

Canadian Net REIT's (TSXV:NET.UN) portfolio consists of approximately 99 commercial properties under triple-net or management-free leases. These types of leases allow the Canadian REIT to generate more stable cash flows, because its tenants would be responsible for variable costs or property maintenance costs. Geographically, its properties are focused on Quebec and Ontario with about 59% and 29%, respectively, of gross leasable area in the provinces, with the remainder in Nova Scotia.

Its track record of exceptional FFO-per-unit growth is rare. From 2012 to 2021, its FFO per unit has more than quadrupled. In other words, it increased at a CAGR of approximately 18%. Long-term investors were delighted to see healthy double-digit cash distribution growth at a CAGR of just over 10% in this period as well.

NET.UN Price to Tangible Book Value data by YCharts

Because of its marvelous growth, Canadian Net REIT tends to trade at above its tangible book value. However, there’s no argument that it currently trades at the low end of its valuation range, whichmakes it a good time for interested investors to accumulate shares for income. At $7.55 per unitwriting, the stock yields 4.5%.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/07/07
Date Created
2022/05/30
Author
kayng