Canadian REITs: Is it Time to Turn DRIPs on?

Description

Rising rates follow rising inflation. Increasing interest rates is a way for central banks to counter the out-of-whack, 30-year high inflation rates we've been experiencing. In turn, this has triggered a slide in the stock market, including in mortgage-heavy Canadian real estate investment trusts (REITs).

Some of these Canadian REITs provide high cash distributions that could be a nice addition to any passive-income portfolio. Particularly, investors who buy REITs during this correction could lock in a high yield and obtain great value in quality real estate.

Once you have bought a sufficient number of units in a Canadian REIT and can reinvest the cash distributions for at least one full unit, you can turn on the dividend-reinvestment plan (or DRIP) to automate the process and buy more shares at tremendous discounts in this stock market crash that's in progress as the U.S. and Canadian central banks expect more interest rate hikes through 2022.

Here are a couple of high-yielding Canadian REITs that investors can dig deeper in.

A defensive healthcare REIT that yields 6.6%

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is in the defensive asset class of healthcare real estate. Furthermore, its assets are diversified globally across hospitals, other healthcare facilities, and medical office buildings in Canada, Brazil, Australia, New Zealand, Europe, and the U.K.

Over the last 15 years, foreign exchange hasn't been a problem for the REIT's bottom line. Partly, it's because the REIT enjoys rental indexation that acts as a natural currency hedge. As well, its portfolio is secured by local currency debt whenever possible, which minimizes foreign exchange risk.

NorthWest Healthcare Properties's high occupancy of about 97% and long weighted average lease expiry of over 14 years are also reasons that support a highly stable cash flow stream.

The correction has dragged shares down to $12.17 per unit at writing, which equates to a decent cash distribution yield of about 6.6%. Investors need at least 183 units (or an investment of about $2,227.11) to be able to reinvest cash distributions each month (at a maximum price of $12.17).

An interest retail REIT that yields 6.8%

If you like NorthWest Healthcare Properties REIT for juicy income, you might also want to add **SmartCentres REIT** (TSX:SRU.UN) to your list of REITs to research, because it provides an even higher yield of 6.8% today!

The stock trades at $27.06 per unit at writing. Investors need at least 176 units (or an investment of about $4,762.56) to be able to reinvest cash distributions each month (at a maximum price of $27.06).

The retail REIT enjoys an industry-leading committed occupancy of about 97% likely thanks to its properties that are well located. Domestically, it has about 174 properties that are at key intersections. The pandemic shouldn't impact it much going forward because approximately 98% of its revenues are generated from open-air centres.

SmartCentres also highlights that it generates more than 60% of its rents from strong, creditworthy, and essential-service tenants. Its largest tenant is none other than **Walmart**, which contributes roughly 25% of its revenues.

The REIT has identified 93 properties for intensification, including 68 located in Ontario, which should serve as a growth driver over the medium to long term.

If you find REITs to be attractively priced and you hold enough units to reinvest the cash distributions, it may be time to turn on DRIPs to reinvest cash distributions so as to receive more passive income in the future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
2. TSX:SRU.UN (SmartCentres 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

Date
2025/08/20
Date Created
2022/06/21
Author
kayng