3 REITs for Steady Monthly Passive Income

Description

REITs are coveted for their dividends. As a market segment, they tend to offer (on average) relatively higher yields than most other sectors. But this pro comes with a balancing “con.” REITs can also slash their dividends in relatively higher numbers compared to stocks from other industries during a harsh market, a phenomenon we have witnessed in the last couple of years.

So, if you are looking into REITs for generating a steady passive income, reliability, and dividend sustainability should be just as important to you as the yields.

A commercial REIT

CT REIT (TSX:CRT.UN), or Canadian Tire REIT, has managed to develop its own identity (as a business entity) over the years, even though its business model still relies quite heavily on the business it spun out from — i.e., **Canadian Tire**. It has a portfolio of 360 properties, 350 of which are retail. The REIT has also diversified into industrial and mixed-use commercial properties.

Most of the retail properties owned by this REIT are anchored by Canadian Tire or its subsidiaries. This has created a symbiotic relationship between the two, with the success/failure of one likely to impact the other heavily.

From a dividend perspective, the REIT is quite reliable. Its payout ratio has only once gone above the 80% mark in the last seven years, and it has consistently grown its payouts, earning the title of an aristocrat. The current 5.2% yield is attractive enough.

A retail and industrial REIT

Like CT REIT, **Choice Properties** (TSX:CHP.UN) spun out of a major business, **Loblaw**. It was conceived in 2013, and the original REIT was entirely made up of Loblaw’s retail properties. The goal was for Loblaw to take advantage of the real estate properties it owned in the REIT structure (with its unique tax benefits). The REIT, in turn, benefits from the tenancy of one of the largest grocery chains in the world.

The REIT went through another growth phase in 2018 when it acquired another REIT. Currently, it has a portfolio of 699 income-producing properties, 571 of which are retail and 114 industrial properties. The remaining are mostly mixed-use residential properties. It has a stable history when it comes to payout ratios and is currently offering a juicy 5.2% yield to its investors.

An automotive properties REIT

Even though technically it's a commercial retail REIT, it would be a mistake to treat **Automotive Properties REIT** (TSX:APR.UN) as most other retail REITs in the country. That's because of the niche focus of the REIT. Since it has a portfolio of dealerships across the country, its financial strength and stability are tied to car sales in Canada — though it's not as straightforward.

Still, the REIT has managed to partner up with some of the most popular vehicle brands in Canada, many of which are unlikely to see their sales go down. It's even well positioned for the upcoming EV boom, which is one of the strengths that make this REIT a stable long-term dividend holding. It's offering a healthy 6% yield at a stable payout ratio of 35%.

Foolish takeaway

One of the benefits of investing in REITs in the current bearish market is that many REITs are currently quite heavily discounted and undervalued, making them the perfect bargain for value investors hunting income-producing, undervalued stocks. The three REITs above are reasonably stable with healthy financials, making their dividends quite sustainable.

CATEGORY

1. Investing

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