Earn Big Monthly TFSA Passive Income From These Canadian REITs Forever

Description

Up for grabs by any Canadian is big, monthly passive income from Canadian real estate investment trusts (REITs). You can earn this income tax free in your Tax-Free Savings Account (TFSA), use it to pay the bills, or reinvest it as you see fit.

The discounts in these Canadian REITs may be slipping away quickly. So, let's get to it to see if they fit your income portfolio!

A global healthcare REIT yielding 6.1%

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is headquartered in Toronto. As a global REIT that owns a diversified portfolio of high-quality healthcare properties, it has been a relatively defensive real estate stock. In this market correction, the stock declined up to 18% from peak to trough. And it has already bounced 11% from the low.

Most individual investors can't invest in hospitals in Canada, which are primarily publicly owned. NorthWest provides the rare opportunity for individual investors to invest in hospitals in other countries. The REIT's portfolio also consists of healthcare facilities and medical office buildings.

Its occupancy rate remains high at about 97%. Long-term contracts and inflation escalation in roughly 80% of its rents ensure solid growth to come, especially in today's high inflationary environment.

Analysts believe the stock trades at a discount of roughly 12% at the current levels of about $13 per unit. It offers a yield of 6.1%, which is considerable amount of passive income on an investment of any size.

Another Canadian REIT with an attractive yield and growth potential

Dream Industrial REIT (TSX:DIR.UN) is also headquartered in Toronto and in a good industry for growth. Its occupancy rate is close to 99%. And it was also able to increase its average rent year over year — 5.7% in Canada and 10.6% in Europe.

The Canadian REIT has been actively expanding its industrial real estate empire as well. At the end of the second quarter (Q2), its diversified portfolio comprised of 372 buildings across 257 industrial assets.

For the first half of the year (H1), net rental income increased 37% to $134 million. As well, it boosted its funds from operations (FFO) per unit by about 13%. Consequently, its FFO payout ratio was sustainable at 81% for H1.

The stock yields about 5.5% that's solid passive income. Plus, the analyst consensus 12-month price target suggests upside potential of 32% over the next 12 months from $12.68 per unit. So, the monthly income stock trades at a meaningful discount of about 24%.

Why hold Canadian REITs in your TFSA forever?

Canadian REITs pay out cash distributions that are like dividends but are taxed differently. In non-registered accounts, the return-of-capital portion of the distribution reduces the cost basis. The return of capital is tax deferred until unitholders sell or their adjusted cost basis turns negative.

REIT distributions can also contain other income, capital gains, and foreign non-business income. Other income and foreign non-business income are taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate. If you hold REITs inside tax-advantaged accounts like a TFSA, you can sidestep the above complexity.

If you invest the same amount in the two REITs, you get an average yield of about 5.8%. That's a solid boost of passive income for any Canadian. What are you waiting for?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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