3 Canadian REITs for Big Monthly Income

Description

High inflation is eating away at our hard-earned savings. Canadians looking to boost their monthly income can explore Canadian real estate investment trusts (REITs). Here are some of the biggest yields available. Investors can consider holding REITs in their Tax-Free Savings Accounts (TFSAs) for tax-free income.

SmartCentres REIT yields 6.5%

SmartCentres REIT (TSX:SRU.UN) stock has been quite resilient, despite rising interest rates. The stock is only down 4% from a year ago. Its resiliency may be partly due to its high yield of 6.5%, which encourages long-term investor ownership for monthly passive income. Its adjusted funds from operations (FFO) payout ratio in the first half of the year was 92.3%.

The retail REIT generates more than 25% of its revenues from **Walmart**. It also has other grocery chains as anchors for many of its properties. More than 60% of its rents come from creditworthy, essential service tenants, including **Rogers Communications**, **Scotiabank**, **McDonald's**, and **Dollarama**.

The retail REIT just reported its second-quarter (Q2) results this month. First, its occupancy rate remains high at north of 97%. Second, its net retail rental rate per occupied square feet improved marginally year over year. Third, its adjusted FFO per unit rose 5.8% versus Q2 2021.

At $28.66 per unit at writing, analysts think the stock is fairly valued and could potentially appreciate roughly 9% over the next 12 months.

NorthWest Healthcare Properties REIT yields 6.2%

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is another Canadian REIT that provides one of the highest yields in the sector. The REIT is building a global healthcare real estate empire across more than 2,100 tenants in Canada, the United States, Brazil, Europe, the U.K., Australia, and New

Zealand. As of the end of Q2, it has 232 properties in its portfolio.

Other than a high occupancy of 97.1%, a highlight is that it has contracted cash flows that have a weighted average lease expiry of 14 years, of which 82% are indexed to inflation. This is why the stock has been super defensive and pretty much at the same levels as it was a year ago.

At just under $13 per unit, the stock yields close to 6.2%. Analysts think price appreciation of about 13% is possible over the next 12 months.

Dream Industrial REIT yield 5.8%

Dream Industrial REIT (TSX:DIR.UN) maintains a high occupancy of about 99% across an industrial real estate portfolio of 257 assets. Its net debt-to-assets ratio is about 30%, which provides a bit of a buffer for additional leverage if needed. At $12.08 per unit at writing, it's a value stock that trades at a discount of 29% from its book value and yields 5.8%. Analysts think the stock has 32% near-term upside prospects.

The demand for industrial spaces remains strong. Particularly, in Canada, the mark-to-market potential for its rent is 42% higher. In Europe, the mark-to-market potential is 5% greater. Furthermore, it has an average contractual rent growth of 2.5% annually for its leases in Canada. As well, 90% of its European leases are indexed to inflation. Another 8% of its European leases have annual rent escalations of about 2%. These dynamics should benefit the REIT against rising interest rates.

In the first half of the year, Dream Industrial REIT's FFO payout ratio was about 79%. The sustainable payout ratio and the strong demand for industrial spaces should continue to protect its monthly cash distribution.

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)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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