Looking for Passive Income? 3 Cheap REITs That Pay High Monthly Dividends

Description

If you want to increase your monthly passive income, real estate investment trusts (REITs) are a great place to look. REITs are mandated by tax regulations to distribute a large majority of their earnings (usually around 90%). Consequently, many pay very attractive monthly dividends to their shareholders.

REITs are the perfect passive-income vehicle for Canadian investors

REITs are an ideal way to own real estate assets without the hassle of managing and maintaining your own investment properties. Most **TSX**-traded REITs have size, scale, capital, and liquidity, which make them attractive assets for many Canadian investors.

The best part is that many investors can buy TSX-listed REITs at a discount to their private market value. Consequently, the combination of value, quality, and income make REITs a great bet for passive-income investors. Here are three REITs that are cheap and trade with relatively high monthly dividend yields.

A niche REIT for elevated monthly passive income

NorthWest Healthcare Properties REIT (TSX:NWH.UN) operates in a very unique niche of the real estate sector. It focuses on acquiring and managing hospital properties, medical office buildings, and life science complexes around the world.

Considering how crucial the healthcare industry is, this is a very defensive segment to invest in. NorthWest has very high-grade tenants (often government-funded entities) that are often locked in on longer-than-average leases (+12 years). Over 80% of its portfolio is subject to inflation-indexed rents, so it has an attractive cash flow hedge in the current high-inflation environment.

This passive-income stock is down 5.6% in 2022. NorthWest trades at a nearly 9% discount to its net asset value. It has an elevated dividend yield of 6.11%. That means if you put $20,000 into this REIT, you would earn over $100 of dividends every single month!

A dirt-cheap industrial REIT

Dream Industrial REIT (TSX:DIR.UN) is one real estate stock enjoying strong market tailwinds. Yet it trades at a significant discount right now.

So far this year, this passive-income stock has been delivering excellent results. In the second quarter, it saw net operating income increase 10% and funds from operation per unit (a core real estate profitability metric) rise 12.2%! Demand for industrial real estate in its core markets of Toronto and Montreal continues to soar, and that is quickly pushing up rental returns.

After a 28% decline this year, this passive-income stock trades at a +20% discount to net asset value. With an ample 5.63% dividend yield, it is one of the cheapest industrial REITs. Put $20,000 into Dream Industrial stock, and you would earn $93.80 every month in distributions.

A highly undervalued multi-family REIT

Another real estate segment I continue to like is residential. Everyone needs somewhere to live. With interest rates rising, rental housing remains an attractive alternative. **European Residential REIT** (TSX:ERE.UN) is not well known by Canadians, largely because it operates 100% in the Netherlands. In fact, it has become one of the largest landlords in that country.

The Netherlands has fast-rising immigration, but very low housing supply. As a result, rental demand is very consistently elevated. European Residential has well-located properties that consistently earn growing streams of reliable cash flows.

With a 4.35% distribution yield, European Residential pays one of the highest monthly, passive-income returns in the multi-family sector. It is also one of the cheapest TSX multi-family stocks. Put $20,000 into this stock, and you would earn $72.50 of passive income monthly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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