Be an Instant Landlord: Top 3 REITs That Pay You Dividends Monthly

Description

Buying an income-producing property in Canada can be considered an intelligent investment. You can augment your primary income with a consistent and relatively reliable passive income. But a lot of legwork is involved, and you have to have a decent amount of capital to buy an income-producing property. An easy way to overcome these limitations is to invest in REITs instead.

Her are three of the top REITs in Canada that will pay you monthly dividends.

An industrial REIT

Summit Industrial Income REIT (TSX:SMU.UN) is one of the few industrial-focused REITs in Canada. There are many commercial REITs in the country with an industrial wing and several industrial properties in their portfolio, but Summit is a pure-play industrial REIT based solely in Canada.

It has 158 properties in its portfolio that are spread out over four provinces, though the highest concentration is in Ontario and Alberta.

Most of the company's industrial properties are used for light industrial use, which includes warehousing and logistics. This is a thriving space right now, thanks to e-commerce activity.

From an investment perspective, Summit might be a better purchase for its growth potential. It has experienced a price appreciation of about 159% in the last five years alone. The current yield is 3%, and the payout ratio is very stable at 14.4%.

A retail properties REIT

Some large businesses with many directly owned locations tend to spin their real estate business intoa separate REIT. This offers tax benefits and creates a separation between different business assets. **Canadian Tire** did this in 2013, and **CT REIT** (TSX:CRT.UN) was conceived. It currently has a market capitalization of $1.8 billion and a portfolio of 370 properties.

Most of these retail properties are leased out to Canadian Tire stores (and its subsidiaries, like Party City and Helly Hansen). This creates a financially beneficial relationship for both companies, allowing them to thrive. The CT REIT carts out a significant portion of its earnings to investors as dividends and is currently offering them at a yield of about 5.1%. It's also an Aristocrat, so you can expect the payouts to grow yearly.

A workspace REIT

Allied Properties (TSX:AP.UN) was created to develop a robust portfolio of Class I workspace properties. But it has expanded its focus to include mixed-use properties, and about 9.8% of the last quarter's net operating income (NOI) came from retail properties. About 16% of the NOI comes from data centres — a unique niche of the company and a significant competitive edge.

The company has around 200 properties in its portfolio worth over $9.2 billion. The largest concentration of properties is in two cities: Toronto and Montreal.

Allied was a consistent growth stock before the 2020 crash, but its performance has been quite uneven since then. It's still trading at a massive discount to its pre-pandemic peak (45%), pushing its yield up to 5.3%. It's also a Dividend Aristocrat.

Foolish takeaway

Real estate investing for the sake of passive income usually takes one of two forms in Canada: rental properties or dividend-paying REITs. Out of the two, the latter might be the easiest option for a much larger pool of investors.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CRT.UN (CT Real Estate Investment Trust)
3. TSX:SMU.UN (Summit Industrial Income REIT)

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