



2 REITs That Pay You at Least 0.5% Every Month

Description

Buying [properties for investment purposes](#) makes sense, because real estate values rise over time. The primary benefit to investors is the predictable cash flow stream from rental income. People who don't have the cash to purchase an investment property can obtain loans to cover the cost.

Unfortunately, borrowing costs are rising, and more rate hikes by the Bank of Canada are coming towards the end of 2022. Also, the rate-sensitive housing market is correcting, and the once inflated prices are falling as a result.

Investment alternatives

Given the current trend, the cheaper alternatives to direct ownership and exposure to the real estate market are real estate investment trusts (REITs). The asset class isn't immune to stock market volatility, although a pair of REITs displays strong leasing momentums in 2022. [Income investors](#) should find either one attractive because of their high yields.

The dividend yields of **Nexus Industrial** ([TSX:NXR.UN](#)) and **Automotive Properties** ([TSX:APR.UN](#)) are more than 6% per annum. Since both REITs pay monthly dividends, investors can earn at least 0.5% per month.

Pure-play industrial REIT

Nexus is a top name in the industrial sub-sector of the real estate industry. The real estate stock debuted on the **TSX** on February 21, 2021, and delivered a total return of 53.33% in one year. The stock is down by around 13% year to date. However, at \$10.62 per share, the dividend yield is 6.13%.

The \$845.9 million REIT is growth oriented and focuses on acquiring industrial properties. According to management, it's patiently executing its disposition program for retail and office properties. The financial results in the second quarter (Q2) of 2022 reflect the resiliency of Nexus amid the challenging environment.

In the three months ended June 30, 2022, property revenues and net operating income (NOI) increased 82.43% and 96.09% versus Q2 2021. The net income of \$79.64 million during the quarter is 57.25% higher compared to the same quarter last year. For the first half of 2022, net income grew 60.55% year over year to \$97.7 million.

Kelly Hanczyk, chief executive officer (CEO) of Nexus, said leasing activity continues to be strong and expects rental rate growth to be strong too. He added, "The positive impact of this leasing activity will be seen in the third and fourth quarters."

Specialty REIT

Automotive Properties owns 72 income-producing automotive dealership properties in Canada. Despite rising interest rates and inflationary pressures, the \$639.37 million specialty REIT isn't losing. Its CEO Milton Lamb said about the Q2 2022 results, "Our track record of solid financial performance continued in the second quarter, as we generated growth in all of our key performance measures."

Rental revenue and NOI for the quarter increased 6.5% and 4.9% versus Q2 2021. The quarter's highlight was the 74.57% year-over-year growth in net income to \$31.17 million. Like Nexus, the real estate stock is underperforming (-9.76% year to date). Nevertheless, at only \$13.04 per share, the dividend yield is a high of 6.23%.

Make the shift

James Laird, co-CEO of Ratehub.ca., said, "Rising interest rates have played a key role in correcting some of the extraordinary gains in house prices Canadians saw during the pandemic." Buying investment properties isn't advisable today, but investors can shift to Nexus and Automotive Properties to receive recurring passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:NXR.UN (Nexus Real Estate Investment Trust)

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