3 REITs to Help You Receive Easy Passive income

Description

Generous dividends are the prime attractions of real estate investment trusts (REITs). But this year, interest rate hikes haven't been good to the asset class. The Bank of Canada has raised its benchmark rate four times already and as a result, real estate prices are starting to fall. It also reinforces the notion that property stocks tend to fall when rates are rising.

However, not all REITs are in a precarious situation in 2022. Three REITs display strong leasing momentums and showing no signs of a slowdown. The real estate stocks can help you receive easy passive income every month.

Transformation is underway

The **TSX's** real estate sector is in a bear market (-21.63% year to date), although **H&R** (TSX:HR.UN) outperforms. The $3.6 billion REIT is beating the broader market at +4.12% versus -8.92%. Its current share price is $12.68, while the dividend yield is an attractive 4.33%. H&R owns a portfolio of high-quality residential, industrial, office, and retail properties in North America.

In the first half of 2022, net operating income (NOI) declined 22.9% to $238.5 versus the same period in 2021. However, it was offset by the 325.47% year-over-year increase in net income to $1.08 billion. In the second quarter (Q2) 2022, net income increased 18.54% to $112.5 million compared to Q2 2021.

Tom Hofstedter, H&R's chief executive officer (CEO), said the quarterly results highlight the quality of the properties and the embedded growth within the portfolio. Investors should be happy to know about the REIT's five-year strategic plan. The ongoing repositioning will transform H&R into a simplified, growth-oriented company that focuses on residential and industrial properties.

Stable occupancy

Crombie (TSX:CRR.UN) is one of Canada's prominent national retail property landlords. This $2.75 billion REIT's portfolio (294 total) consists of grocery-anchored, retail-related industrial, and residential properties. **Empire Company**, an iconic food retailer in the country, owns 41.5% of the REIT.

Don Clow, Crombie's president and CEO, said the diversified portfolio continues to deliver consistent operating and financial performance including strong occupancy and healthy renewal growth.

He cited the 45% increase in NOI in Q2 2022 versus Q2 2021 and the committed (96.3%) and economic (95.9%) occupancies at the end of the quarter. Crombie trades at $15.55 per share and pays a hefty 5.55% dividend.

Solid fundamentals

Automotive Properties (TSX:APR.UN) owns 73 income-producing automotive dealership properties and belongs in a sector with solid fundamentals. In Q2 2022, the $631.5 million REIT reported a total cash NOI of $17.1 million, a 6.7% increase from Q2 2021. Rental revenue also increased 6.5% year over year to $20.83 million.

According to CEO Milton Lamb, the Automotive Properties is well positioned to pursue future acquisition opportunities because of its low debt to GBV (gross book value) ratio and strong liquidity position. Moreover, Dilawri, Canada's largest automotive group, recently announced an increase in its ownership position in the REIT. If you invest today ($12.88 per share), the dividend offer is a juicy 6.23%.

Resilient portfolios

Some industry analysts say higher borrowing costs would prevent REITs from pursuing expansion plans. Others warn that highly leveraged REITs might even lower their dividend payouts. Still, the monthly dividend payouts of H&R, Crombie, and Automotive Properties appear safe.

Besides the leasing momentums, the three Canadian REITs have resilient portfolios and strong liquidity positions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:CRR.UN (Crombie Real Estate Investment Trust)
3. TSX:HR.UN (H&R Real Estate Investment Trust)

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