



Passive Income: Get Paid Each Month With REITs

Description

One of the best, easiest, and most accessible way to invest in real estate is through REITs. There is no capital restriction, and you can invest as little as you can (or want). You can also invest in real estate assets that may be beyond your reach if you want to invest directly in them. And via REITs, you can even invest in international real estate.

The monthly payout frequency of REITs is also similar to collecting monthly rent from the tenants, and it's one of the reasons why investing in REITs is compared to becoming a landlord. And if you are looking to start a monthly passive income with REITs, there are three that you might consider starting with.

A retail REIT

Even though it's not one of the [large-cap stocks](#) in Canada, **RioCan REIT** ([TSX:REI.UN](#)) is one of the largest REITs you can invest in, both by market cap and portfolio size. It has a market capitalization of \$6.1 billion, making it the third-largest REIT by market cap. And its portfolio is 35.9 million square feet of leasable area and another 42.4 million is in the pipeline.

This represents a total of 202 properties. About two-thirds of the portfolio is in Ontario, and the rest is in four other major markets in Canada. The bulk of the portfolio comprises retail properties though the REIT now focuses on mixed-use properties.

It's currently offering a dividend yield of 5% — higher than its historical yield and a result of the 27% discount from its pre-pandemic peak. The REIT slashed its dividends in 2020, and its current payout ratio is relatively stable at 52%, so the probability of dividend growth is much higher than another downgrading.

An automotive properties REIT

If you are looking for a niche asset class, **Automotive Properties REIT** ([TSX:APR.UN](#)) is a great

option. As the REIT's name suggests, it has a portfolio of 72 automotive properties in 11 different regional markets. The car dealerships the REIT has on its portfolio represent 32 automotive brands, including most of Canada's favourite and most actively sold brands.

The REIT has performed exceptionally well so far. It's not just offering a juicy 5.9% yield and an attractive valuation; it has also risen 21% in value in the last five years. It's not comparable to even a modest growth stock, but it's far better than the stagnation or long-term slump that some REITs offer.

The dividends seem pretty stable as well, as the REIT hasn't slashed them once since inception (2015), and the payout ratio is safe.

An office REIT

True North Commercial REIT ([TSX:TNT.UN](#)) is an office properties REIT with a portfolio worth \$1.5 billion. There are 47 properties in the portfolio, and even though it's spread out over five provinces, 62% of the total portfolio is in Ontario alone.

It's a relatively more minor REIT with a market capitalization of just \$547 million, which may not fill investors with a lot of confidence. But its dividend seems relatively safe for three reasons: dividend history, payout ratio, and tenant portfolio.

The REIT has maintained the same payout since 2014, even though the payout ratio for about half the years since then has been over a 100%. But its current payout ratio is in the safe zone (at 81.4%). As for its tenant portfolio, one-third of it comprises government tenants and about 41% of the tenants are credit rated.

Foolish takeaway

[Real estate investing](#) through REITs is not just easy and hands free; it can also be quite profitable. And unlike rental properties, there are no "vacancies" when you have no rent coming from the property. You can reduce the probability of suspended or slashed dividends by choosing REITs with a strong dividend sustainability potential.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Flipboard

3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. adamothonman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/07/31

Date Created

2022/09/15

Author

adamothonman

default watermark

default watermark