Real Estate Investors: Earn Generous Income from a Top REIT

Description

A recent survey by HelloSafe revealed that 34.7% of Canadians list real estate as their top investment product. However, if buying real estate in 2022 isn't advisable due to soaring interest rates and falling prices, investors can opt to invest in real estate investment trusts (REITs) instead.

In the same survey, a higher percentage of poll respondents (54.6%) prefer to invest their money in the stock market. Real estate is one of the 11 primary sectors on the **TSX** and REITs, or institutional landlords, offer an easy way to invest in the sector. You can buy and sell these REITs like you would regular stocks.

More importantly, the dividends from REITs can take the place of rental income through direct ownership. Currently, a popular choice among real estate investors is **CT REIT** (TSX:CRT.UN). At $15.60 per share, the dividend yield is a generous 5.64%. A $42,566.80 investment (2,728 shares) will generate $200 in monthly passive income.

Balance of growth and security

Investors investing in CT REIT will not own a physical property but instead gain exposure to a premier net lease national property portfolio in Canada. Furthermore, **Canadian Tire Corporation** is the majority unit holder and anchor tenant of this $3.7 billion REIT.

According to management, its unique relationship with a strong investment-grade tenant and controlling unit holder assures a balance of growth and security for years to come.

CT REIT's portfolio has a gross leasable area (GLA) of 29.8 million square feet and is geographically diverse. Specifically, it consists of 364 retail properties, 4 industrial properties, 1 mixed-use commercial property, and 4 development properties. About two-thirds of the income-producing properties are in large urban markets with high-traffic routes.

Two hallmarks

As of September 30, 2022, Canadian Tire accounts for 92.2 of CT REIT's total GLA and 91.5% of the annualized base minimum rent. Notably, the portfolio occupancy rate at the end of three quarters is 99.3%.

President and CEO, Kevin Salsberg, notes that, "Stability and growth have been the hallmarks of CT REIT's performance since going public nine years ago." Salsberg adds that Q3 2022 was no exception, as property revenue rose 6.1% to $133.15 million versus Q3 2021.

While net income declined 1.7% to $77 million, net operating income (NOI) and adjusted funds from operations (AFFO) increased 5.4% and 5.7% year over year to $106.2 million and $68.6 million, respectively. Moreover, distributions to shareholders increased by 3.3% compared with Q3 2021. Apart from reporting strong AFFO results, Salsberg also disclosed three flagship development projects.

Reliable, durable, and growing dividends

CT REIT's primary objective is to create long-term unitholder value by investing in net lease, single-tenant assets. Because of this approach, the assets should generate reliable, durable, and growing monthly distributions. According to management, future growth will come primarily from the contractual arrangements with Canadian Tire.

The leases with Canadian Tire have built-in rent escalation clauses (1.5% per year, on average), while the weighted average remaining lease term is 8.8 years. CT REIT will continue to leverage its long-standing relationship with the iconic Canadian retail company. The giant retailer's market position provides insights into potential real estate acquisitions and development opportunities across the country.

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