



Become the Laziest Landlord Ever With These 2 REITs Yielding up to 8.8%

Description

In today's go, go, go society, laziness often gets a bad rap.

Lazy folks are associated with things like failure and poor performances, neither of which you want taking up much space on your resume. Hard work is practically a religion in North America, especially in the business world. Sure, workers are judged by how much they produce, but for many companies the amount of production is less important than the amount of time an employee spends at their desk. The perception of work becomes a bigger deal than the work itself.

When it comes to investing, the opposite is often true. Lazy investors who buy and hold quality companies often do better than those who are constantly trading. Not only are transaction costs a killer, but it's really hard to predict when a stock is going to aggressively move higher. We all have stories of selling a stock way too soon.

Becoming a landlord is a well-documented path to financial success. Although I'm skeptical of the potential success rate of buying rental property while the Canadian real estate market is so high, I'll admit that buying rentals has generally been a pretty good move.

But it also comes with a lot of work. Here's a small sampling of what a landlord has to worry about.

- Finding tenants
- Doing repairs
- Cleaning up after a tenant leaves
- Worrying that a tenant might wreck the place
- Paying the mortgage
- Doing yearly paperwork

Meanwhile, here's what a REIT investor has to worry about.

- The underlying quality of the assets
- What to do with the dividend payments

It's pretty obvious what the better path is to take. The long-term returns of Canada's top REITs are just as good as buying underlying rentals individually, all with a much smaller risk profile. After all, it's far less risky to own a small slice of a large pie. Combine that with the lack of work involved with owning a REIT, and you have a pretty good recipe for success.

But what REITs should you own? Here are a couple of ideas.

Dream Office REIT ([TSX: D.UN](#)) is Canada's largest owner of office property, totaling more than 24 million square feet spread across the country. Its largest tenants are among the titans in Canadian business, and it also rents to various levels of government. These organizations have much higher credit worthiness than someone who answered an online ad.

Plus, shares of Dream are cheap. They currently trade at a 30% discount to the company's net asset value, falling lately because the company lost a major tenant in Calgary. This dropped Dream's occupancy rate to under 94%, a number still higher than the Canadian average in the space. But management isn't concerned, since 2014's payout is expected to be just 83% of the company's funds from operations.

That's good enough to give the company an 8.8% yield, which is one of the highest on the TSX. But unlike high yields in other sectors, Dream's looks to be pretty secure. Dream is a great buy-and-forget stock.

RioCan Real Estate Investment Trust ([TSX: REI.UN](#)) doesn't have quite the yield that Dream offers, but investors in that company are still getting a 5.3% dividend, which makes it a terrific choice compared to other income alternatives.

RioCan is a behemoth retail landlord. Between its Canadian and U.S. properties it owns nearly 50 million square feet of space, with an occupancy rate of over 97%. Its payout ratio is approaching 90% of funds from operations after spending a few years above that number, and the company's balance sheet is in good shape with debt coming in under 45% of its assets.

What makes the company really interesting is its new development portfolio. There's ample opportunity for the company to use some of its excess land to diversify into other real estate developments, like condo construction. Buyers are happy with locations close to stores, while construction costs are less than developing a piece of land from scratch. Look for management to increase the number of developments in 2015.

Both RioCan and Dream are solid companies for your portfolio. For more great dividend-paying stocks, check out our free report below.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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