



Buy Northern Property REIT and its 6.7%+ Yield

Description

Imagine owning your own cash machine. Each month, you receive a steady stream of dividend cheques in your bank account while you sleep, go watch a movie, or do the laundry.

You can start experiencing this reality by starting with a single dividend stock. But with the TSX near an all-time high, finding top quality dividend paying stocks at a reasonable price is a challenge. So for those who have some money to put to work this month, I would like to bring your attention to **Northern Property Real Estate Investment Trust (TSX:NPR.UN)**.

Earn a 6.7%+ yield from this residential REIT

Northern Property REIT is an open-ended real estate investment trust investing mainly in a portfolio of residential properties in secondary markets in Canada. These income-producing properties are located across multiple provinces in Canada, including British Columbia, Alberta, Saskatchewan, Labrador, Northwest Territories, Nunavut, and Newfoundland.

Northern Property owns and operates a broad spectrum of housing properties, including rental apartments, town homes, and mixed-use properties. Furthermore, Northern Property has a portfolio of commercial properties, mostly involving government or corporate covenants and longer-term leases.

Because Northern Property owns properties in resource areas of Canada, it is currently experiencing some headwinds. For example, some oil companies have axed jobs recently, so those workers would either be looking for properties asking for lower rent or moving back home temporarily. Northern Property's current market price reflects that headwind.

From its 52-week high of \$30, it has retreated to its current price of close to \$24, which is a 20% drop. This price drop is a gift for Canadian investors looking for income because you can now buy Northern Property shares with a high yield of at least 6.7%.

Is Northern Property's yield safe?

In its 12 years of paying a distribution, Northern Property has increased the distribution eight times, and has never cut it once. So, you can have peace of mind that the yield is safe.

To be specific, Northern Property paid out \$0.0958 per unit in 2003. Fast forward to the present day in 2005, it pays out \$0.1358 per unit. That is an annualized growth of 2.95%. The distribution growth is not spectacular, but the high yield north of 6% more than makes up for it. Besides, I'm also looking for capital appreciation from this holding.

What can investors expect in the future?

Analysts estimate a one-year target price of \$29.5 to \$31.25. Let's say you decided to add Northern Property to your TFSA account at \$24. From capital appreciation alone, you're estimated to get a return of 22.9% to 30.2% in one year. Adding in the 6.7% yield, that's a total return of 29.6% to 36.9%.

Because Northern Property pays out distributions and not Canadian eligible dividends, remember to buy Northern Property in either your TFSA or RRSP to avoid the tax reporting hassle if you decide Northern Property is the right fit in your portfolio.

CATEGORY

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