Income Investors: These 3 Great REITs Yield More Than 6%

Description

These days, with GIC government bonds yielding next to nothing, it's tough to be an investor looking for income.

Fortunately, there's an easy solution—own real estate.

No, I'm not talking about going out and physically buying a property. That comes with all sorts of headaches, like finding tenants, coordinating repairs, and periodically checking in on the place. Sure, you can transfer all that responsibility to a property manager, but that will eat up most of the profits.

There's a much easier way to invest in real estate. With a few clicks of a mouse, you can buy a small part of a real estate investment trust, letting it take care of all the hard parts. All you need to do is sit back and watch the dividend cheques flow in.

Here are three REITs that offer investors a secure dividend yield of more than 6%, a pretty attractive payout in today's low interest-rate world.

Crombie

Formed when **Empire Company** spun off its real estate assets in 2006, **Crombie Real Estate Investment Trust** (TSX:CRR.UN) owns 17.5 million square feet worth of retail real estate that is spread out over more than 250 properties. Sobeys and Safeway stores make up the vast majority of Crombie's portfolio.

Investors have traditionally shied away from REITs that are overly focused on one customer, but I think the risk of that is minimal in this situation. Both Sobeys and Safeway are well established, and grocery stores tend to be pretty consistent businesses. If grocery stores are having trouble paying the rent, there are bigger problems out there.

There's also potential for the parent company to sell assets to the REIT, which can help grow revenue and profits. Crombie is currently digesting the properties it acquired as part of the 2013 deal to acquire Safeway, so don't look for this to happen right away.

The 6.7% yield looks to be secure. Funds from operations came in at $1.10 per unit, while distributions were only $0.88. That gives us a payout ratio of just 80%, which is about average for a REIT.

Cominar

Cominar Real Estate Investment Trust (TSX:CUF.UN) is Quebec's largest owner of real estate with holdings in retail, office space, and industrial property. It also has exposure to Atlantic Canada, Toronto, and the west, but assets are concentrated in Quebec. Unlike Crombie, Cominar is a model of diversification.

Then why does Cominar offer investors a yield of 7.6%, a full 1% higher than Crombie?

There are a couple of reasons. First of all, the market seems nervous about Quebec's economic prospects. Although the province isn't struggling, it often lags the economic growth of its neighbors. Lower oil prices and the weak Canadian dollar should help the local economy.

Second, Cominar is struggling under a bit too much debt. The company just closed a public offering of shares in January for net proceeds of $155 million, yet is still sitting on a debt-to-assets ratio of 52% (excluding convertible debentures). That's a little too high. Plus, the company's payout ratio is in the 85% range.

But that still leaves plenty of room for dividends. Plus, as acquisitions the company made in 2014 add to earnings, the payout ratio should creep down.

Artis

Think of **Artis Real Estate Investment Trust** (TSX:AX.UN) as the Cominar of the west. The company owns more than 26 million square feet of all sorts of different kinds of property. About 75% of it is located in Canada, while the rest is in the U.S.

Funds from operations came in at $1.42 per unit, while distributions were $1.08. That's a payout ratio of just 76% on a stock that offers a 7.3% yield. That's a pretty attractive combination.

Investors are a little worried about Artis's exposure to Alberta and Saskatchewan. Even though the company doesn't have many properties with direct oil exposure, we all know the effects of the downturn in the sector will ripple through the economy.

But so far, Artis seems to be handling it well. Occupancy is still hovering near 95%, and management has done a nice job growing assets, while keeping debt down. Plus, just 30% of the portfolio is in high risk areas. The downturn should be nothing more than a distraction to Artis.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)

Category

1. Dividend Stocks
2. Investing

Date
2025/09/28
Date Created
2015/04/16
Author
nelsonpsmith