



How to Build a Second Income Source, Part 3: REITs and Telecoms

Description

In the first article of the series, I discussed the defensive industries of food retail and utilities. In the second article, I discussed various transportation stocks with essential products that pay safe dividends. Today, I will continue with real estate investment trusts (REITs) and telecoms, which also offer needed products or services.

REITs collect rent from income-producing real estate. The different REIT types include residential, retail, healthcare, office, industrial, and diversified, which consists of retail, office, and industrial properties.

The most defensive REIT class has got to be the residential REITs. Why? Everyone needs a roof over their heads. With housing prices setting new highs and the possibility of a housing bubble in certain Canadian cities, some people will choose to rent.

Residential REITs

Here's an overview of the top REITs offering residential properties for rent. They all pay a monthly distribution and the return on capital portion is tax-deferred by nature. However, if you buy in the non-registered account, you need to track the lowered adjusted cost basis. If you want to avoid that hassle, buy REITs in a TFSA or RRSP.

REIT	Price	Market Cap	Yield	Debt-to-Capital
Canadian Apartment Properties REIT	\$28.2	3.3B	4.3%	40%
Boardwalk REIT	\$59.5	2.8B	3.4%	30%
Northern Property REIT	\$24.7	784M	6.6%	36%

Canadian Apartment Properties REIT ([TSX:CAR.UN](#)) is high quality for sure, offering affordable, mid-tier, and luxury rental properties with an average occupancy rate of 98.6%. As a result, Canadian

Apartment produces a stable cash flow, allowing it to raise distributions 12 times in the past 18 years.

With management equity ownership roughly at 25%, **Boardwalk REIT's** ([TSX:BEI.UN](#)) management's interests are aligned with unitholders. Occasionally, they even pay out special distributions from the proceeds of property sales.

Out of the three, **Northern Property REIT** (TSX:NPR.UN) is the cheapest with the highest yield, while Canadian Apartment is on the expensive side, according to its historical multiple. As a result, I recently went with a blend of Boardwalk and Northern Property, and will wait for a better entry point for Canadian Apartment.

Telecoms

With people using their mobile phones habitually, it's not a surprise that the telecoms have been doing a great job at raising dividends.

Ticker	Price	Market Cap	Yield	S&P Credit Rating	Debt-to-Capital
BCE Inc.	\$53.5	45B	4.9%	BBB+	45%
TELUS Corporation	\$42.1	25.6B	4%	BBB+	56%
Rogers Communications Inc.	\$43.4	22.4B	4.4%	BBB+	70%

All three telecommunication companies are fairly valued. However, I would go with **BCE Inc.** ([TSX:BCE](#)) ([NYSE:BCE](#)) if I wanted a higher yield, even though it grows slower compared with **Telus Corporation** ([TSX:T](#)) ([NYSE:TU](#)). For instance, BCE's last annual dividend hike was 5.3%, while Telus' was 10.5%.

So, investors with longer time horizons for their investment should go with Telus. I would avoid **Rogers Communications Inc.** ([TSX:RCI.B](#)) ([NYSE:RCI](#)) because of its higher debt levels.

In conclusion

Most people have limited capital to allocate to investments. So, for retirees who might need higher income, Northern Property and BCE may be their picks. For others looking for higher growth, Boardwalk and Telus are better picks.

This concludes the three-part series. Together, the top picks discussed in the series serve well as core holdings for a defensive portfolio to generate a growing second income that beats the inflation rate.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)

3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
6. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
7. TSX:RCI.B (Rogers Communications Inc.)
8. TSX:T (TELUS)

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date

2025/07/26

Date Created

2015/05/13

Author

kayng

default watermark

default watermark