Boost Your Income: Get 10% Yields in Monthly Rent From These REITs

Description

Real estate investment trusts (REITs) allow investors to easily buy shares in companies that own real estate properties. You may be able to pick up these shares at excellent yields when they're mispriced on the stock market.

Today, there are three REITs that yield 10%, and they all pay out monthly distributions. That beats the GIC rate of less than 2% a year any day. However, you will experience volatility with REITs, just like when trading other stocks, so they're riskier than GICs in that sense.

However, buying shares in these REITs is just like having your own rental properties and receiving rent, except you don't have to manage anything. Simply buy and hold your shares.

Northwest Health Prop Real Est Inv Trust (TSX:NWH.UN) is a global REIT that owns hospitals and medical-office buildings in Canada, Brazil, Australasia, and Germany. The aging population around the world is growing, and investing in this REIT is a good way to capitalize on that.

At the end of July 2015, the REIT implemented a normal course-issuer bid program to cancel up to 10% of common shares. At the time of the announcement, the shares were around $7.80 per unit. Today, the shares have only risen by 6.4%. At about $8.30 per unit, Northwest Health's shares are still a value. Further, the REIT provides a high income with a 9.6% yield.

Its payout ratio is at the high end of the spectrum at 95%, but the REIT has been maintaining a high occupancy rate of 94%. If you decide to buy it, keep track of its occupancy level.

Dream Office Real Estate Investment Trst (TSX:D.UN) is Canada's largest pure-play office REIT. It mainly collects rent from central business districts and core Canadian markets such as the Greater Toronto Area, Calgary, Edmonton, Vancouver, Montreal, and Ottawa.

It has 2,200 tenants and maintains an occupancy rate of roughly 93%, 3-4% above the office national average. So, Dream Office's tenants must see value in renting the REIT's properties.

After falling in price for three years in a row, Dream Office now yields 10.6% at $21.2 per unit.

However, based on its adjusted funds from operations (AFFO), its payout ratio of 95% leaves little room for error.

At the end of June, the consensus net asset value of Dream Office is $29.71 per share. This implies the shares are discounted by 28.6%.

Slate Office REIT (TSX:SOT.UN) has its eyes on non-core office properties in major office markets. It only has a market cap of $223 million compared with Dream Office's $2.3 billion. As a much smaller REIT, Slate Office has more growth potential. Since management owns roughly 20% of the REIT, unitholders should rest assured that management have their interests aligned with the interests of the unitholders.

Although its top 10 tenants contribute to 43% of its base rent, they are high-quality, strong businesses that include **BCE Inc.**, the Government of Canada, and the governments of Manitoba and New Brunswick.

Thirty percent of its portfolio square footage expires in the next 2.5 years. However, management sees this as an opportunity to grow its rental rate. Slate Office costs $7.3 per unit and yields 10.3%. Based on its AFFO, its payout ratio of 81% gives some margin of safety for its high yield.

Historically, Slate has traded between a price-to-funds-from-operations ratio of (P/FFO) nine to 10.5. Today, it trades around a multiple of close to 7.5. So, the shares are selling at a margin of safety of 18% to 32%.

The best place to buy and hold REITs

If you're looking to access the high income freely, the best place to buy and hold REITs would be in TFSAs. That way, you don't need to worry about tax reporting, which could get a little complicated.

REITs pay out distributions that are not taxed like dividends. If you hold them in a non-registered account, you'll need to visit the corporate website for more information on how the distribution is treated for tax-reporting purposes.

Sure, you can buy and hold REITs in an RRSP, but you won't be able to access the monthly income with no consequence. Assuming investors are looking for high income to pay the bills, the best place to buy and hold REITs would be in a TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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