Get Stable Yields of 5.5% From These Retail REITs

Description

You can diversify your income sources with real estate. Here's the good news: you don't have to manage any properties or screen any tenants. Instead of buying properties, you can get passive rental income from real estate investment trusts (REITs).

Retail REITs are some of the most stable REITs because everyone shops. Shopping for, say, groceries is an essential part of everyday life.

Here are three quality, stable retail REITs you can choose from.

Choice Properties Real Est Invstmnt Trst (TSX:CHP.UN) owns, manages, and develops well-located retail and commercial properties across Canada. It has over 500 properties and focuses on supermarket-anchored shopping centres and stand-alone supermarkets. Choice Properties's major tenant and biggest unitholder is **Loblaw Companies Limited**, Canada's largest retailer.

With increasing cash flows, its payout ratio, which is based on adjusted funds from operations, has reduced to about 84%. As a result, the REIT will be able to increase its annual distribution by 3.1% in January 2016.

So, it has a forward yield of 5.8% based on a price of $11.5 per unit. Additionally, Choice Properties maintains a high occupancy rate of 98.5%, ensuring stable cash flows to maintain its distributions.

RioCan Real Estate Investment Trust (TSX:REI.UN) is Canada's largest REIT with an enterprise value of roughly $16 billion. It owns shopping centres and has interests in over 350 retail properties.

Its rental income is diversified across 8,000 tenants with no one contributing over 3.8% of rental revenue. RioCan delivers stable and reliable cash distributions to unitholders, and it has been doing so since 1995. Its payout ratio of about 85% gives a margin of safety for its distributions.

At $25.5 per unit, the REIT yields 5.5% and is in fair value range with a price-to-funds-from-operations ratio (P/FFO) of about 15.

Plaza Retail REIT (TSX:PLZ.UN) is both an owner and developer of retail properties with assets of about $1 billion. However, the REIT has had 15 years of profitable growth. Currently, Plaza Retail has over 300 properties across eight provinces.

From 2000 to 2014, its funds from operations grew at an annualized average rate of 11%. Its unitholders have received increasing income from its growing distribution every year since 2003.

Director Earl Brewer bought $69,720 worth of units in August for $4.2 per unit. Further, both **CIBC** and **RBC** Capital Markets gives Plaza Retail a target price of $5. At $4.6 per unit, the shares are discounted by 8.7%. Based on a price-to-funds-from-operations ratio of 15, the shares are fairly valued.

At $4.6, Plaza Retail yields almost 5.5%. It last increased its distribution in January 2015 by 4.2%.

In conclusion

Income from hard assets such as real estate is a nice addition to any dividend portfolio. The consistent, above-average, monthly income can be used to pay bills or reinvested into higher-growth investments.

REITs pay out distributions that are unlike dividends. If you wish to avoid the tax-reporting hassle, you should buy REITs in a TFSA or an RRSP.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2015/11/23
Author
kayng