



## Buy RioCan Real Estate Investment Trust for its 6.13% Yield

### Description

For investors that subscribe to a buy-and-hold strategy and look to generate income for years rather than playing the markets, **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) might be one of the best stocks you can buy. You get the bulk of the benefits of being a landlord without actually having to own property. Further, you get to own an asset that is liquid in case of emergency.

REITs are companies that generate all of their revenue from real estate. In exchange for special tax considerations, REITs are obligated to distribute 90% of their income to investors. This ensures that investors get the positives of owning real estate without having to be stuck holding a building that you might not be able to sell quickly.

RioCan in particular is one of the best REITs on the market today because of its incredible network of retail locations. According to its website, RioCan owns 293 Canadian retail operations, which accounts for 37 million square feet. It has a further 5.5 million square feet of retail property in development. On top of that, it has nearly two million square feet of office space.

But the good thing for RioCan is that the bulk of its operation is in Ontario, which means its tenants shouldn't be terribly impacted by low oil prices. But even its Albertan properties have such high-quality tenants that it doesn't have much to worry about. For example, **Canadian Tire**, **Wal-Mart**, and **Cineplex** are a few of the tenants that RioCan has.

All of this has given RioCan the ability to pay a handsome 6.13% yield to its investors, which is paid every single month. At the present day payout ratio of 89.7%, the company pays \$0.12 per month. Further, the company has never missed a payment since it first started paying dividends in 1995.

Investors should be excited about RioCan's future. RioCan has decided to sell its U.S. portfolio for US\$1.9 billion. This is a big move because the company only paid CAD\$1.2 billion for the properties. When you do a conversion from US\$1.9 billion to Canadian dollars, RioCan walked away with \$2.7 billion.

This increase in available money will help the company make a few smart moves. The first thing it is doing is buying out **Kimco Realty Corp.**, which has a stake in 22 of RioCan's properties. This will cost

it \$238 million. The company might also pay down debt or develop older properties, allowing it to generate even more profit.

The reality is simple for investors looking for income. A yield of 6.13% is incredible. RioCan has a long history of paying its investors on time and in ever-increasing amounts. If RioCan reinvests the revenue generated from its sale of its U.S. assets appropriately, I expect there will be solid growth for the company in 2016 and 2017. Buying this company now would be a smart move for investors.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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