RioCan Real Estate Investment Trust Is a Smart Income Generator

Description

One way that you can ensure your portfolio is stable is to have stocks that generate income. While they might not experience incredible rises like some of the more volatile stocks, income-generating stocks are smart because they provide the necessary capital to continue buying undervalued stocks. In bear markets, stocks might drop in value, not because of how well the company is executing, but because investors are just worried.

Some of my favourite types of income-generating stocks are real estate investment trusts (REITs). These are special kinds of companies that derive the vast majority of revenue from real estate. But unlike holding actual real estate, you get to hold an asset that is liquid, and you can buy and sell at your leisure.

One of the top REITs, in my opinion, is **RioCan Real Estate Investment Trust** (TSX:REI.UN). It is a mall operator with 293 retail operations, which total 37 million square feet. It has an additional 5.5 million square feet in development. And it also has two million square feet of office space.

What's good about these retail locations is that the tenants are high quality. For example, **Canadian Tire, Wal-Mart,** and **Cineplex** are a few of the tenants. This quality of tenant means RioCan can expect these tenants to last a long time.

Because of how high quality its assets are and how efficient it is at running retail locations, RioCan has been able to make a few smart moves over the past couple of years. The first has to do with its U.S. operations. Right after the financial crisis it bought a series of malls throughout the United States for CAD$1.2 billion. It is now in the process of selling those 49 properties for US$1.9 billion, which is $2.62 billion in Canadian dollars. This is an incredible investment for the company.

With this money, RioCan is making a series of smart moves. First, it bought out **Kimco Realty Corp.**, which had a stake in 22 of RioCan's properties. This will cost the company $238 million. With the remaining money, I expect that RioCan will pay down its debt and potentially develop further properties.

Another move that the company is making is building on top of its retail operations to offer condominiums. This offers two benefits for RioCan:

First, it is much cheaper to build on top of a previously built location than it is to buy new land and build up. Secondly, the people living in these condominiums become customers to the tenants of the retail operation, strengthening the ties between RioCan and its clients.

All of this has made it possible for RioCan to pay a lucrative 5.53% yield, which comes out to nearly $0.12 per share per month. Further, its payout ratio is less than 90%, which means that RioCan could grow the dividend a little. All told, RioCan is one of the best REITs in the business. If you’re looking to generate consistent income, you really can’t do much better than RioCan.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Date
2025/08/24
Date Created
2016/02/19
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