



3 Small-Cap REITs With Yields of 4-10% to Buy Today

Description

As Foolish investors know, dividend-paying stocks generate higher returns than non-dividend-paying stocks over the long term, and real estate investment trusts (REITs) have some of the highest yields in the market today. For these reasons, I think all long-term investors should own a REIT, so with this in mind, let's take a look at three small-cap options with yields of 4-10% that you could buy today.

1. Dream Global REIT

Dream Global REIT (TSX:DRG.UN) is one of the largest owners and operators of commercial real estate in Germany with 208 properties that total approximately 13.4 million square feet of gross leasable area. It pays a monthly distribution of \$0.06667 per share, or \$0.80 per share annually, which gives its stock a yield of about 9.5% at today's levels.

It is also important for investors to make three notes.

First, Dream Global has maintained its current annual distribution rate since it went public in August 2011.

Second, even though its adjusted funds from operations decreased 12% to \$0.73 per share in fiscal 2015, its cash payout ratio still stood at just 85.4% thanks to a 14% dividend reinvestment plan participation ratio.

Third, the company stated that it expects its adjusted funds from operations to increase in both 2016 and 2017, so I think its current annual distribution rate can be maintained going forward.

2. Slate Retail REIT

Slate Retail REIT (TSX:SRT.UN) is one of the largest owners and operators of grocery-anchored retail properties in the United States with 66 properties located primarily across the top 50 U.S. metro markets. It pays a monthly distribution of US\$0.06489 per share, or US\$0.77868 per share annually, which gives its stock a yield of about 7.3% at today's levels.

Investors must also make two notes.

First, Slate Retail has raised its annual distribution for two consecutive years, and its 3% hike in November 2015, which was effective for its December 2015 payment, has it on pace for 2016 to mark the third consecutive year with an increase.

Second, I think its very strong growth in funds from operations, including its 21.7% year-over-year growth to an adjusted US\$1.12 per share in fiscal 2015, and its “industry-leading” payout ratio of 70.4% in the same period, could allow its streak of annual distribution increases to continue going forward.

3. Milestone Apartments Real Estate Investment Trust

Milestone Apartments Real Estate Inv't Tr (TSX:MST.UN) is one of the largest residential landlords in the United States with 72 multi-family properties that consist of 22,546 rentable units located across 14 major metropolitan markets. It pays a monthly distribution of US\$0.04583 per share, or US\$0.55 per share annually, which gives its stock a yield of about 4.4% at today's levels.

Investors must also make two notes.

First, Milestone announced a change to U.S. dollar denominated distributions and an 11% increase to its distribution based on the exchange rate in October 2015, effective for its January 2016 payment, which puts it on pace for 2016 to mark the first year in which it has raised its annual distribution since it went public in 2013.

Second, even though its distribution increase just took effect in January, I think its increased amount of funds from operations, including its 13.1% year-over-year growth to an adjusted US\$0.95 per share in fiscal 2015, and its very low payout ratio, including an adjusted 54% in fiscal 2015 compared with 70% in fiscal 2014, could allow for another double-digit percentage increase at some point in 2016.

Which of these REITs would fit best in your portfolio?

Dream Global, Slate Retail, and Milestone Apartments are three of the most attractive small-cap investment options in the real estate investment trust industry today. Foolish investors should take a closer look at each and strongly consider establishing positions in one of them.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SGR.UN (Slate Retail REIT)

Category

1. Dividend Stocks
2. Investing

Date

2025/07/02
Date Created
2016/03/07
Author
jsolitro

default watermark

default watermark