



## Boost Income With 3 REITs That Offer 8-10% Yields

### Description

Real estate investment trusts (REITs) are a great way to diversify your portfolio, especially if you don't own any real estate properties yourself. REITs receive rent from their portfolios of real estate properties. So, REITs are great sources for monthly income because they pay out monthly distributions.

Most notably, these REITs pay out above-average yields of 8-10%: **Slate Office REIT** (TSX:SOT.UN), **Dream Global REIT** (TSX:DRG.UN), and **NorthWest Health Prop Real Est Inv Trust** ([TSX:NWH.UN](#)). They can boost your current income right away.

#### Slate Office REIT

Slate Office targets non-trophy, downtown, and suburban office properties that are overlooked by large investors. These properties can usually be found at great discounts to replacement costs. For example, in May 2015 Slate acquired **Fortis's** portfolio in Atlantic Canada with a 65% discount to replacement costs.

Interestingly, Fortis bought \$35,000,000 worth of Slate units in July at \$7.40 per unit after it sold its commercial portfolio to the REIT. This purchase represented about 15.5% of the outstanding units of the REIT at the time.

Slate owns 34 properties totaling 4.4 million square feet. It has 42% of its income coming from investment-grade tenants that have a BBB- credit rating or better. Additionally, less than 3% of its net operating income (NOI) is affiliated with the oil and gas industry.

Notably, management owns about 20% of the REIT, so their interests are aligned with unitholders' interests. At \$7.44 per unit, Slate yields 10.1% with a payout ratio of about 96%.

#### Dream Global REIT

Dream Global owns and operates 208 properties, totaling 13.4 million square feet of office and mixed-used space in Germany and, most recently, Austria. Last year it acquired over \$500 million worth of high-quality office properties, which includes the expansion into Vienna, Austria.

From the end of 2014 to 2015, the REIT's occupancy rate improved by 2.2% to 87.5%, its average in-place net rent per square feet improved by 8.5%, and the weighted average interest rate declined by 74 basis points to 2.49%. And its tenant retention ratio was 79% in 2015.

These are all positive signs. And so we've seen the REIT recover about 13% from a low of \$7.50 per unit to \$8.50 per unit today. Currently, it yields 9.5%.

## **NorthWest Health**

NorthWest Health owns a portfolio of 123 healthcare real estate properties in major markets throughout Canada, Brazil, Germany, Australia, and New Zealand. It has 55% of its NOI coming from Canada, 23% from Brazil, 12% from Germany, and 10% from Australia and New Zealand. Asset-wise, it earns 67% of its NOI from medical office buildings and 33% from hospitals. The REIT maintains a portfolio occupancy of about 96%.

In the next year or so, it targets a net asset value of about \$10 per unit and adjusted funds from operations (AFFO) per unit to be \$0.90-0.95 per unit. So, its shares are fairly valued at about \$9.50 per unit. If NorthWest Health achieves that AFFO target, it would make its yield of 8.5% safer with a payout ratio of 84-89%.

## **Tax on distributions**

REITs pay out distributions that are like dividends but taxed differently than dividends. If you wish to avoid the different tax-reporting hassle, buy REITs in TFSA's to earn tax-free monthly income.

Investors may also be interested to know that in non-registered accounts, the return of capital portion of REIT distributions is tax deferred until unitholders sell or adjusted cost basis turns negative.

## **Conclusion**

These REITs offer above-average yields of 8-10% for income-hungry investors. Compared to high-yield companies directly related to commodities such as oil and basic materials, income from these REITs is likely more reliable. Besides, real estate exposure via REITs adds diversification to any portfolio.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
2. TSX:RPR.UN (Ravelin Properties REIT)

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