Hungry for Income? Buy RioCan Real Estate Investment Trust

Description

Depending on where in your investment cycle you are, you might have a different opinion on the kinds of stocks you want to own. For those who can take significant risk, more volatile stocks might be what you're looking for, such as tech or biotech stocks.

If, however, you are thinking about how your investments can actually generate income for you while also lacking much volatility, you really can't go wrong with **RioCan Real Estate Investment Trust** (TSX:REI.UN). Some have even said that this is the top REIT in the country, making it a very powerful investment.

RioCan owns a portfolio of shopping centres. It owns 293 retail operations with a grand total of 37 million square feet. Further, it has 5.5 million square feet of retail space in development, and it has two million square feet of office space.

Now, this portfolio is not comprised of small, low-volume shopping centres. These are large operations with incredibly high-quality tenants, such as **Canadian Tire, Wal-Mart**, and **Cineplex**.

Further, RioCan also has a smaller portfolio down in the United States. In its most recent quarter RioCan announced that it had generated a 9.8% increase in funds from operations due to its portfolio south of the border.

There is good and bad news for investors.

The bad news is that RioCan is selling that portfolio to **Blackstone Group** for US$1.9 billion, so much of that growth will go away. However, when bringing that money back to Canada, that US$1.9 billion turns into $2.7 billion, which is about $930 million more than it paid for the portfolio six years ago. The economic crisis was just winding down and assets were cheap, so RioCan made good deals.

That leads to the good news.

RioCan has been using those funds to strengthen its core holdings. First, it bought out the interest of **Kimco Realty Corp.**, which had a stake in over 20 of RioCan's properties. That will increase the company’s rent income. This deal cost the company $238 million.

The other move that RioCan is likely going to make is to pay down its debts. Further, it will be able to fund the development of other projects that the company is working on that could drive some growth.

However, the reality for RioCan is that it’s not likely going to appreciate all that much in value unless it has significant growth. The reason for that is because it is such a safe and secure dividend investment. Analysts predict the price could go anywhere from $26 to $30 a share.

Fundamentally, the reason people buy this stock is because of the 5.18% yield, which is a distribution of $0.12 per month. For income investors who might not have been able to build their own portfolio of real estate assets, owning a company that pays a monthly dividend is as close as it gets. And because this particular company is so high quality and secure, I have little doubt that it will continue to pay this dividend. And, if it does experience some growth, we might even see a dividend hike.

So if you’re looking to increase the cash in your pocket while holding on to safe stocks, you can’t go wrong with RioCan.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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Date
2025/08/18
Date Created
2016/03/18
Author
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