



Attention Income Investors: This Stock Has Paid 231 Consecutive Dividends

Description

Income investors cherish a company's ability to pay consistent dividends.

It's so important that dividend investors often rank the history of the dividend ahead of other important factors such as the company's long-term health or the payout ratio. The argument is pretty simple: if a company's management makes paying a dividend a priority, they will make sure to do everything possible to avoid a dividend cut.

It's pretty obvious that management at **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) has made paying the dividend a big deal. The company hasn't missed a dividend payment since going public back in 1993, accumulating 231 consecutive dividend payments over the span of 22 years.

That kind of record is something many dividend investors love to see. But it's not the only reason to buy RioCan shares. Here are three more.

Growth potential

In 2009 RioCan took advantage of the financial crisis to acquire assets in the United States. After a few bolt-on acquisitions, the U.S. portfolio grew to a total of 47 properties comprising 13.3 million square feet. The approximate cost of this portfolio was \$1.7 billion; in December the company announced it was selling it to a subsidiary of **Blackstone Group** for \$2.7 billion.

Much of the proceeds are already spent. The company announced it was redeeming some of its preferred shares as well as buying out a partner in a joint venture. The rest will be put towards debt, lowering the company's debt-to-assets ratio from 43.6% to approximately 39% when the transaction closes. This will make RioCan's balance sheet one of the best in the sector.

It also puts the company in a position to borrow to fund its new growth program. RioCan's management has at least 15 properties that have been identified as redevelopment projects.

Here's how it works. RioCan is sitting on dozens of properties that have appreciated in value significantly over the last couple of decades. Because the land and services into these properties are

long paid for, RioCan can develop these properties into mixed-use facilities at a much lower cost than competing developers.

One strategy is to build condos above retail space. The company then has the option of keeping the condos—and renting them out—or selling them for a tidy profit. Expect RioCan to be busy with these developments for at least the next several years.

Diversification

RioCan is Canada's largest REIT. It has operations in every province with a focus on the six largest markets in the country. These are good attributes.

Management has made diversification a priority, and it shows. Its leading tenant, **Loblaws**, accounts for only 4.9% of total rents. In total, the top 10 tenants only account for approximately 30% of revenue.

This diversification proved itself when **Target** Canada unexpectedly announced it was closing back in early 2015. Even though RioCan was Target's largest landlord, the hasty exit from Canada only cut income by approximately 2%. And a year later, most of the space Target occupied has been gobbled up by other tenants.

If much of a REIT's revenue comes from one tenant, there's risk. What happens if the tenant starts to struggle? RioCan is so diverse investors don't have to worry about that.

A great yield

Not only does RioCan have a great dividend history, it also offers investors a terrific dividend yield. Shares currently pay \$0.1175 per month to investors, good enough for a 5.3% yield.

Many REITs do pay higher dividends than RioCan. It's not that hard to get yields from the sector of between 6% and 8%—payouts that look pretty safe. If investors are really feeling frisky, yields of up to 10% can be had from some of the riskier players.

But none of these REITs have the payment history that RioCan has. Its dividend history is as good as you'll find. That's worth something.

When the alternative is government bonds or GICs paying 1-2%, suddenly RioCan's 5.3% yield looks pretty darn good. Combine that with the company's record, and you get one of Canada's best income investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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