



## Earn Passive Rent With Yields of +8%

### Description

Real estate investment trusts (REITs) own and operate hundreds of real estate properties and collect rent from them. In turn, these REITs pay out most of that cash flow to unitholders in monthly distributions.

If you like income, you'll like these REITs, which offer yields of more than 8% today, including **Dream Global REIT** (TSX:DRG.UN), **American Hotel Income Properties REIT LP** ([TSX:HOT.UN](#)), and **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)).

#### Dream Global

Dream Global owns and operates about 208 office and mixed-use properties totaling 13.4 million square feet in Germany and Austria. The REIT focuses its efforts in seven major office markets in Germany in the cities of Hamburg, Dusseldorf, Cologne, Frankfurt, Stuttgart, Berlin, and Munich.

Germany is a good place to invest because it's the Eurozone's largest economy and also the world's fourth-largest economy. At the end of 2015 Germany reported the lowest unemployment rate of 4.5% in the Eurozone.

In four years, Dream Global has reduced its largest tenant exposure to Deutsche Post from 85% to 22% of gross rental income. Today, Dream Global is more diversified and yields 8.8% at \$9.10 per share.

#### American Hotel

Investors can easily gain exposure to the U.S. hotel market by buying units of American Hotel. It owns and operates 80 hotels across 27 states; 45 are rail properties and 35 are branded properties with five franchise partners, including Marriott and Hilton.

About 40% of American Hotel's net operating income (NOI) is secured by large rail clients including **Union Pacific**, **CSX**, and **BNSF**, which the REIT has long-term contracts of over 20 years with.

American Hotel was the best-performing American hotel REIT in 2015. Since its distributions can consist of U.S. dividends, interested investors should consider holding it in an RRSP to avoid the foreign withholding tax on the distribution. At \$10.50 per unit, the REIT yields 8.6%.

## Artis

Artis is a diversified REIT that earns about 50% of its NOI from office properties and 25% from each of industrial and retail properties. After 10 years of trading as a Canadian REIT, Artis has amassed a portfolio of 252 properties totaling 26.2 million square feet.

At under \$12.90 per unit, Artis's shares are depressed due to having about 25% of its gross leasable area in Alberta. However, in 2015 the REIT performed well by posting revenue growth of 8.6%, funds from operations growth of 8.9%, and maintained a high occupancy rate of 92.7%,

Artis's rental income is well diversified across many tenants. Last year its top 10 tenants contributed only 11.8% of its gross revenue. Its distribution yield of 8.4% is sustainable with a payout ratio of under 85%.

## Conclusion

Dream Global, American Hotel, and Artis are good places to start looking for income because they yield more than 8% today. Based on valuations, American Hotel, and Artis both look cheap compared with their historical normal multiples.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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