



## 2 Reliable Stocks With Enormous Dividends

### Description

If you're looking for reliable stocks with big payouts, you should consider getting a passive income from real estate investment trusts (REITs).

After filtering the list of REITs with high yields and relatively low payout ratios, we're left with these two REITs: **Northview Apartment REIT** (TSX:NVU.UN) and **American Hotel Income Properties REIT LP** (TSX:HOT.UN). What's more is that they're priced with some margin of safety today, which helps with capital preservation of new investments.

#### Northview

Northview is one of the largest Canadian multi-family REITs. It has a portfolio of more than 24,000 suites across eight provinces and two territories.

Due to Northview's resource region exposure, the REIT's share price has declined tremendously from its 2014 high. It traded above \$29 per unit in 2014 and now trades 32% lower at below \$19.70 per unit. The units are discounted by more than 20% based on its normal multiple.

Because of the price decline, Northview pays an enormous dividend yield of 8.3%. In reality, only 22% of its net operating income (NOI) comes from resource-based regions, and its payout ratio based on its adjusted funds from operations (FFO) is only 78%.

Northview cares about its shareholders. The fact that it has increased its distribution eight times in 13 years is proof of that.

At the end of April, Northview announced the appointment of Travis Beatty as CFO. He has more than two decades of progressive financial management experience and was the CFO of two companies previously.

The REIT also plans to sell non-core assets this year. With the proceeds, it intends to reduce debt and to buy back shares for cancellation. If the Toronto Stock Exchange approves the normal course issuer bid, it would be good news for unitholders because Northview shares are discounted right now. The

buyback should increase the REIT ownership of unitholders.

## American Hotel

American Hotel was the best-performing North American hotel REIT in 2015. It is a limited partnership that invests in hotel properties primarily in the United States.

It runs the largest and highest-quality chain of rail crew hotels that's made up of 45 Oak Tree Inn Hotels in 22 states. It earns about 40% of its NOI from serving the U.S. freight industry, which guarantees a meaningful portion of its revenue stream.

On top of that, it has a portfolio of 35 branded hotels with five franchise partners, including **Marriott International, Hilton Worldwide, and InterContinental Hotels.**

American Hotel is executing a US\$7.5 million capital investment program for selected properties in its rail portfolio with the intention of driving additional revenues during periods of excess room capacity.

At about \$10 per unit, American Hotel is priced at roughly a 12% discount based on its normal multiple. It has a big distribution yield of 8% with an FFO payout ratio of about 76%.

American Hotel is a qualified investment for RRSPs and may be best held in an RRSP because at least a portion of the REIT's distribution is from the U.S.

## Conclusion

By investing \$150,000 in Northview or American Hotel today, you'll generate passive rent of about \$12,000 per year or \$1,000 per month. You be the judge of whether or not that's better than owning a rental property with administrative (and other) work attached.

By building a portfolio of safe dividend stocks, investors can choose to invest as little or as much as they want for a diversified, high income stream. By starting with Northview and American Hotel, you can earn an 8% yield of income.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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