3 REITs for High Monthly Income Today

Description

If you want income right now, you should consider real estate investment trusts (REITs). They typically pay higher yields than the general market

The **iShares S&P/TSX 60 Index Fund** (TSX:XIU), which represents the Canadian market, yields 3%, and the **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY), which represents the U.S. market, yields 2.6%.

In contrast, **Killam Apartment REIT** (TSX:KMP.UN), **Plaza Retail REIT** (TSX:PLZ.UN), and **Slate Office REIT** (TSX:SOT.UN) yield at least 66-92% higher with 5-9% yields.

Killam Apartment

Killam changed to a REIT structure at the start of this year. It is a residential REIT that owns, manages, and develops multi-family residential properties in Atlantic Canada, Ontario, and Alberta.

It has $1.8 billion of real estate assets across 213 properties, of which 175 are apartment buildings, 35 are manufactured home communities (MHC), and three are commercial properties. Specifically, it has about 13,655 apartment units and 5,165 MHC sites.

Killam has 89% of net operating income (NOI) coming from apartments, 9% coming from MHC sites, and 2% coming from commercial properties. The NOI of its apartments is diversified across elevatored mid-rises (35%), high rises (33%), walk-ups (30%), and townhouses (2%).

In 2015 Killam's funds from operations (FFO) per share grew 9.7%, its same-store NOI increased by 4.2%, and its payout ratio improved to 87.7%. With improved fundamentals, its 4.9% yield is safer than before.

Plaza Retail

Plaza develops and owns retail properties with a focus in Atlantic Canada, Quebec, and Ontario. In the first quarter, it sold eight non-core properties for $10.4 million and there's talk of two more sales. This kind of capital recycling impacts short-term results but should improve long-term results.

As Plaza's adjusted FFO payout ratio stands at 80.8%, its 5.4% yield is solid. On top of that, it is one of two REITs in Canada that has a track record of raising its cash distribution for 13 consecutive years. Plaza last increased its distribution by 4% at the start of this year.

Slate Office

Slate Office focuses on the secondary office market that makes up about two-thirds of the Canadian office market and has more opportunities. Management owns about 20% of the REIT, so their interests are aligned with shareholders' interests.

Slate is a young REIT with a portfolio of 34 assets totaling 4.4 million square feet. Its strategy is to acquire high-quality "non-trophy" assets that will provide higher risk-adjusted returns than "trophy" assets.

For example, in May 2015, Slate acquired the **Fortis** portfolio with a 65% discount to replacement costs. In fact, Fortis saw it as an opportunity and bought about 15.5% of the Slate Office REIT units in July at $7.40 per unit, totaling roughly $35 million.

Today, the shares already appreciated 10% from that level. However, Slate still yields 9.2% at $8.14 per unit for a juicy income. Its first-quarter adjusted FFO payout ratio was 90.3%, so its yield should be sustainable.

Conclusion

Killam, Plaza, and Slate offer above-average yields of 5-9% that are perfect for a diversified income portfolio.

REITs pay out distributions that are like dividends but are taxed differently. If you wish to avoid the different tax-reporting hassle, buy REITs in TFSAs 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.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:PLZ.UN (Plaza Retail REIT)
2. TSX:RPR.UN (Ravelin Properties REIT)
3. TSX:XIU (iShares S&P/TSX 60 Index ETF)

Category

1. Dividend Stocks
2. Investing

Date
2025/08/21
Date Created
2016/05/16
Author
kayng