Income Investors: This Blue-Chip REIT Has Paid 254 Consecutive Dividends

Description

Retirees and other income investors are in a tough spot in 2016.

Although interest rates have been moving up since Donald Trump was elected, it's still difficult for investors to turn capital into income. GIC rates are barely above 2%, and government bonds yield even less. Corporate bonds do pay more, but they're subject to price risk, especially if an investor buys them in an ETF.

There's really only one solution. Investors must get comfortable owning dividend-paying stocks over the long term.

Yes, stocks can cut their dividends. It happens all the time. One dividend can be risky. But a whole portfolio of dividends isn't. As long as investors stuff their cash into companies with reasonable payouts and the earning power to back it up, they'll be fine.

One such company is **RioCan Real Estate Investment Trust** (TSX:REI.UN), Canada's largest publicly traded real estate company. It has paid 254 consecutive dividends without missing a beat. Here's why it's poised to pay at least 254 more.

Great assets

RioCan owns some of Canada's finest retail real estate. Chances are you've shopped at a RioCan complex lately.

Most of its portfolio–which consists of more than 300 properties and 45 million square feet of gross leasable space–is located in Ontario; 67.5% of rental income comes from Canada's most populous province. Alberta is next, consisting of 13% of income, followed by Quebec, which accounts for 9% of revenue.

RioCan has focused on diversifying its tenant base. **Loblaw**/Shoppers Drug Mart is its largest tenant, but it only accounts for 4.7% of revenue. In total, the 10-largest tenants only give RioCan 30.7% of its income.

Development portfolio

Most REITs grow by acquiring completed assets, complete with tenants. RioCan is pursuing a different strategy. It has more than three million square feet worth of space in its development portfolio.

Because it has been around for a couple of decades, RioCan has a number of older properties that have long been paid off, especially in the Toronto area. It can redevelop these locations into retail/residential complexes with stores on the bottom and apartments on top.

These developments cost the company much less than competing developments because the land is already paid for. And they tend to be close to amenities like mass transit, which will make them attractive to the average renter.

This is just the beginning of RioCan's development plan. The company has identified nearly 50 properties it believes have significant potential to be expanded. It has a long-term goal to own 10,000 apartment units over the next decade.

Superb balance sheet

If RioCan is going to spend millions turning old properties into new developments, it's going to need a good balance sheet.

The company recently sold off its U.S. operations, netting $1.2 billion after expenses. It spent about a third of that money on 11 properties in Canada, adding about 1.5 million square feet to its asset base.

The rest was used to pay down debt. A year ago, RioCan owed $6.6 billion to creditors. It has knocked about a billion off that total.

More importantly, the company decreased its debt-to-assets ratio–a key metric investors use to measure a REIT's leverage. That ratio is currently 40%–much lower than the average for retail REITs, which is closer to 50%.

Dividends

And finally, we get to the dividend. RioCan has been one of the most consistent dividend payers in the Canadian capital markets, paying 254 consecutive distributions. It hasn't missed a payout since becoming a public company in 1994.

Thanks to a recent sell-off, RioCan shares yield more today than they have in months. Investors who buy today are locking in a 5.5% yield along with the potential for dividend growth in the future.

The payout ratio is fine too. The company has reported $1.28 per share in funds from operations in the first nine months of 2016. It has paid $1.0575 per share in dividends. That gives it a payout ratio of 82.6%, which is about average for the sector.

The bottom line

RioCan offers investors one of the most dependable dividends out there. It also has a great balance sheet, an exciting growth plan, fantastic assets, and an incredibly diverse tenant base. All this adds up to one of the best income investments investors can make.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/07
Date Created
2016/11/16
Author
nelsonpsmith