Get +6% Yields From These Fabulous REITs Today

Description

The general market only offers a 2.6% yield, but investors can get higher, stable yields from a specific part of the market — real estate investment trusts (REITs).

They have professional teams to manage the properties, the financing, and collect rent from tenants, so you can sit back while earning a monthly income. Here are two nice REITs with yields north of 6%.

Morguard Real Estate Inv. (TSX:MRT.UN) is a diversified REIT with 49 commercial properties totaling 8.7 million gross leasable square feet across six provinces. Specifically, the REIT has 21 retail properties and 28 office and industrial properties.

Morguard REIT is well managed. Its recent portfolio occupancy was 96%. In the most recent quarter, all three of its asset types had high occupancies of at least 95%, and its industrial portfolio had the strongest occupancy of 98%.

However, in the first nine months of 2016, the company earned 50% of its net operating income (NOI) from retail properties, 48% from office properties, and only 2% from industrial properties.

Geographically, Morguard REIT earned 39% of its NOI from Ontario, 31% from Alberta, and almost 14% from British Columbia. In the third quarter, the company felt some softness in its Albertan market, coupled with some softness in fashion-focused centres.

In the third quarter, Morguard REIT completed more than 300,000 square feet of leasing. In addition to its 496,000 square feet that's under development, these developments will boost the company's funds from operations (FFO) and increase the diversification of its tenant base.

Its adjusted FFO payout ratio in the first three quarters, which ended in September 2016, was under 80%. So, its distribution should be sustainable. At about $15, Morguard REIT offers a rich yield of 6.4% for income-hungry investors.

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shopping mall

H&R Real Estate Investment Trust (TSX:HR.UN) is a diversified REIT with 196 properties. It has 156 retail properties, 102 industrial properties, 38 office properties, 10 residential properties, and four development projects.

Additionally, H&R REIT has 33.6% interest in ECHO Realty LP, which has 209 properties, excluding properties under development and vacant land, comprising over 8.8 million square feet.

H&R REIT is well managed. Its recent portfolio occupancy was nearly 96%, and its portfolio had an average remaining lease term to maturity of 9.5 years.

Its FFO payout ratio in the first three quarters, which ended in September 2016, was under 70%. So, its distribution is sustainable with room to grow. At about $22.60, H&R REIT offers a stable yield of 6.1% for income-focused investors.

Conclusion

Both REITs trade at reasonable valuations. So, income investors can consider them for a +6% yield. However, H&R REIT is higher quality, bigger, and more diversified.

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kayng