Don’t Miss This 5.4%-Yielding Company That Pays Monthly

Description

Despite concerns about shopping malls becoming outdated, **RioCan Real Estate Investment Trust** (TSX:REI.UN), Canada’s preeminent shopping mall owner, continues to have incredible success. With a recent price pullback, the company now yields a very comfortable 5.44% yield, making this a must-have stock for any income investor.

While there are many reasons to support a claim that owning this stock is a must, there’s one that consistently stands out and should be discussed first: the quality of tenants and portfolio.

As of the end of 2016, RioCan has exposure to 300 properties with a total of 47 million owned square feet. All told, it has approximately 6,200 tenants, but 85% of its revenue comes from national and anchor tenants. An anchor tenant tends to be a big company that brings in other business simply because of its name. Its biggest tenants and the amount of revenue they account for are **Loblaw** at 4.8%, **Canadian Tire** at 4.7%, **Wal-Mart** at 4.2%, and **Cineplex** at 3.9%. Obviously, these companies are not going anywhere.

These anchor tenants also have long-term leases. All of their leases have at least seven years remaining, which means RioCan can comfortably predict how much cash flow is going to hit the bank on a monthly basis. For income investors, knowing how much cash flow a business has is integral to its classification as a top dividend stock. These long-term leases also contribute to an increasing net occupancy rating, which ended the year at 95.6%. The closer to 100% this goes, the less empty square footage there is.

So, how are the company’s financials?

The company had $548 million in funds from operations in 2016, which was actually down from $622 million in 2015. That might seem concerning, but there are two reasons for this. First, $88 million of 2015’s FFO is because of a net settlement from **Target** when it declared bankruptcy. Second, that $622 million also included funds from operations generated from RioCan’s U.S. portfolio, which it sold in 2016. Therefore, if you subtract both figures from the numbers, 2016 was far stronger than 2015. Since 2011, FFO had a 10% cumulative annual growth rate.

On the debt side, the company is in a fantastic position. Thanks to the sale of its U.S. portfolio, the company was able to pay off $1.6 billion of long-term debt, which makes it leaner. Its debt-to-total-assets ratio was 39.7% at the end of 2016, which was down from 46.1% a year prior. If interest rates are going to continue moving up, a smaller percentage of debt is very important for RioCan to continue operating and paying that monthly yield.

Thanks to a strong portfolio of tenants, long-term leases, and a shrinking pool of debt, RioCan is in a great position to continue to grow. It has many great development projects, including the building f 10,000 residential units on top of its retail operations.

Therefore, if you’re an investor looking for monthly income, the $0.1175 that RioCan pays out each month is one of the best options on the market today. And with the recent pullback, reinvesting that money in more shares of RioCan could put you in an amazing place over the coming years.

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