



2 Commercial REITs Yielding 4-7% to Buy Now

Description

Real estate is one of the world's most popular investments, but buying and managing a rental property is simply not for everyone, especially if you're interested in commercial properties. Fortunately, there are real estate investment trusts (REITs) that can give you the benefits of owning commercial properties, primarily a monthly income stream, without the hassles that come with purchasing a property or being a landlord.

With all of this in mind, let's take a closer look at two high-quality commercial REITs with yields over 4% that you could buy today.

Agellan Commercial Real Estate Investment Trust

Agellan Commercial Real Estate Invmt TR (TSX:ACR.UN) owns and manages a portfolio of income-producing properties in the United States and Canada. As of December 31, 2016, its portfolio consisted of 34 industrial, office, and retail properties totaling approximately 5.9 million square feet of gross leasable area.

Agellan pays a monthly distribution of \$0.06458 per unit, equal to \$0.775 per unit on an annualized basis, and this gives its stock a yield of about 6.7% at today's levels.

In addition to being a high yielder, Agellan is known as being a very reliable income provider, because it has maintained its current annual distribution rate since it went public in 2013.

I think Agellan will continue to be a reliable income source in the years ahead as well. I think its very strong growth of adjusted funds from operations (AFFO), including its 12.9% year-over-year increase to \$0.965 per unit in 2015 and its 11.5% year-over-year increase to \$1.076 per unit in 2016, the ongoing improvement of its AFFO payout ratio, including 72.1% in 2016 compared with 80.3% in 2015 and 90.7% in 2014, and its growing property portfolio which will help drive future AFFO growth, including its addition of two net new properties in 2016, will allow it to maintain its current distribution rate for decades or allow it to announce a hike whenever its management team so chooses.

CT Real Estate Investment Trust

CT Real Estate Investment Trust ([TSX:CRT.UN](https://www.scribd.com/document/351111111/CT-Real-Estate-Investment-Trust)) is one of the largest owners and managers of commercial real estate in Canada. As of December 31, 2016, its portfolio consisted of 303 predominantly retail properties located across every province and two territories that total approximately 24.7 million square feet of gross leasable area.

CT currently pays a monthly distribution of \$0.05833 per unit, equal to \$0.70 per unit on an annualized basis, and this gives it a yield of about 4.7% today.

CT may have a lower yield than Agellan, but it offers something that Agellan does not: annual distribution increases. It has raised its annual distribution every year since it went public in 2013, which puts its streak of annual increases at three, and its 2.9% hike, which was effective for January of this year, has it on pace for 2017 to mark the fourth consecutive year with an increase.

I think CT will continue to provide its unitholders with a growing stream of monthly income in 2018 and beyond. I think its very strong AFFO growth, including its 9.8% year-over-year increase to \$0.808 per unit in 2015 and its 6.7% year-over-year increase to \$0.862 per unit in 2016, its ever-improving AFFO payout ratio, including 78.9% in 2016 compared with 82.1% in 2015 and 88.3% in 2014, and its growing property portfolio which will help fuel future AFFO growth, including its addition of 16 net new properties in 2016, will allow its streak of annual distribution increases to continue into the 2020s.

Which of these commercial REITs belongs in your portfolio?

I think Agellan Commercial REIT and CT REIT are two of the best investment options in the commercial real estate industry, so take a closer look at each and strongly consider investing in one of them today.

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