



## 2 REITs With Yields up to 9.2% I'd Buy Today

### Description

Investing in real estate investment trusts (REITs) is a great way to diversify your portfolio and earn a reliable stream of monthly income. With this in mind, let's take a closer look at two high-quality REITs with yields of 4-10% that you could buy right now.

#### Slate Office REIT

**Slate Office REIT** (TSX:SOT.UN) is one of Canada's largest owners and managers of office properties. It focuses on acquiring high-quality, "non-trophy," downtown and suburban office properties that are often overlooked by larger investors and are available at a discount to replacement costs. As of December 31, 2016, its portfolio consisted of 35 properties totaling approximately 4.99 million square feet of gross leasable area across the country.

Slate pays a monthly distribution of \$0.0625 per unit, equal to \$0.75 per unit on an annualized basis, which gives its stock a yield of about 9.2% today.

A yield this high may cause some investors to question its stability, but you can easily confirm its safety by checking Slate's distributions as a percentage of its adjusted funds from operations (AFFO), which is a key financial metric for REITs. In its fiscal year ended on December 31, 2016, its AFFO totaled \$34.27 million (\$0.86 per unit), and its distributions totaled just \$30.03 million (\$0.75 per unit), resulting in a sound 87.6% payout ratio.

In addition to being a high and safe yielder, Slate is known as being a very reliable income provider, because it has maintained its current annual distribution rate since it went public back in December 2012.

I think Slate will continue to be a reliable income provider going forward too. I think its continued AFFO growth, including its 4.9% year-over-year increase to \$0.86 per unit in 2016, its wildly improved payout ratio, including 87.6% in 2016 compared with 95.9% in 2015, and its growing property portfolio, including its \$165 million acquisition of three properties in the Greater Toronto Area, which is expected to close in mid-May and immediately be accretive to its AFFO, will allow it to continue to maintain its current distribution rate for decades, or allow it to announce a slight hike whenever its management

team so chooses.

## Killam Apartment REIT

**Killam Apartment REIT** ([TSX:KMP.UN](#)) is one of Canada's largest residential landlords through its ownership of apartment buildings and manufactured home communities (MHCs). As of December 31, 2016, its portfolio consisted of 181 apartment properties with a total of 14,105 units and 35 MHCs with a total of 5,165 land-lease sites located across six provinces. It also owns four commercial properties in Halifax, Nova Scotia, that total approximately 248,000 square feet.

Killam currently pays a monthly distribution of \$0.05167 per unit, equal to \$0.62 per unit on an annualized basis, and this gives it a yield of about 4.8% today.

As mentioned previously, you can confirm the safety of this 4.8% yield by checking Killam's distributions as a percentage of its AFFO. In its fiscal year ended on December 31, 2016, its AFFO totaled \$52.35 million (\$0.77 per unit), and its distributions totaled \$41.1 million (\$0.60 per unit), resulting in a conservative 78.5% payout ratio.

With its high yield being confirmed as safe, the next important note to make about Killam is its history of distribution growth. It has raised its distribution three times since it initiated its distribution in March 2007. Its most recent increase was a 3.3% hike in February, which was effective for its March distribution.

I think Killam will continue to deliver a growing stream of monthly income in the years ahead as well. I think its consistently strong AFFO growth, including its 13.2% year-over-year increase to \$0.77 per unit in 2016, the ongoing improvement of its payout ratio, including 78.5% in 2016 compared with 88.2% in 2015, and its ongoing acquisition activity, including its \$26.2 million acquisition of 219 apartment units, which was completed in January, and its \$49.3 million acquisition of 268 apartment units, which was completed in March, will allow it to provide its unitholders with a growing stream of monthly income for decades.

## Which of these REITs belongs in your portfolio?

Slate Office REIT and Killam Apartment REIT are two of your best investment options in the REIT industry, so take a closer look at each and strongly consider adding one of them to your portfolio today.

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:RPR.UN (Ravelin Properties REIT)

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jsolitro

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