

Income Investors: This REIT Has Paid 256 Consecutive Dividends

Description

The last thing any income investor wants is a dividend cut. There's nothing worse.

Not only do dividend cuts mean less income, but they also usually come with a big decline in the share price. After all, successful companies rarely cut their payouts.

Many dividend investors have a simple way of guarding against the dreaded dividend cut. They look at a company's history. If the enterprise can show a consistent pattern of paying their shareholders, it's a huge plus. Other factors matter too, like payout ratios or the future of the sector, but eventually it comes back to consistency.

There's plenty of logic in the strategy. No management team wants to be remembered as the group that slashed the dividend. That's a good way to get yourself fired.

RioCan Real Estate Investment Trust ([TSX:REI.UN](https://www.scribd.com/document/411111111/TSX:REI.UN)) has become one of Canada's top dividend stocks. The company hasn't missed a dividend since 1994, before it even began trading on the Toronto Stock Exchange. That's 256 consecutive dividends without a missed payment.

Here's why RioCan is poised to pay another 256 consecutive dividends.

Great tenants

RioCan is Canada's largest REIT. The company's portfolio spans more than 300 properties, and its share of total square footage exceeds 45 million square feet. RioCan used to have a substantial portfolio in the United States, but it sold those properties to pay down debt and focus on its Canadian interests.

The majority of the portfolio (66%) is located in Ontario, clustered primarily in the Toronto and Ottawa metro areas. Alberta's exposure is 14%, while approximately 9% of assets are in Quebec.

The biggest names in Canadian retail are RioCan's top tenants. Its largest tenants include **Canadian Tire**, **Loblaws**, and **Wal-Mart**. RioCan is so diverse that its top tenant contributes about 5% of total rent. Its top 10 tenants account for just 31.5% of revenue. Investors have to like that kind of diversification.

Valuation

RioCan isn't a cheap stock, and it's unlikely it'll ever be a screaming value at any point in the future. It's just too well established.

But considering the high opinion most investors have about the company, shares are still fairly valued. In 2016, RioCan generated \$1.68 per share in funds from operations — which many use as an earnings substitution for the REIT sector. Yes, that was down considerably from 2015, which saw \$1.94 per share in funds from operations. But most of the decline was from the now-sold U.S.

operations.

This puts RioCan shares at 15.3 times funds from operations, which largely puts it in line with similar REITs.

In addition, RioCan's balance sheet is in great shape. It has a debt-to-assets ratio under 40%, while most other retail REITs are closer to 50%. This favourable debt ratio will be helpful as RioCan embarks on its ambitious redevelopment plan.

Growth

RioCan has two major growth avenues.

The first is joint ventures with retailers who want to monetize their real estate portfolios as well as partner with other REITs on big projects.

The more exciting long-term growth initiative is RioCan's backlog of redevelopment opportunities. The company is sitting on a number of properties where the value of the land has skyrocketed. The plan is to rebuild these properties into multi-use facilities with retail on the bottom and apartments on top.

Once the redevelopment plan is over, RioCan will own some 10,000 apartments. This will instantly make it one of Canada's top residential landlords.

The bottom line

There's a lot to like about RioCan. The company has an exciting growth plan, a decent valuation, an incredibly diverse tenant base, and, perhaps most importantly, the 5.5% dividend looks as solid as you can get.

Plus, shares are flirting with a 52-week low. Today might be the best buying opportunity in years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/06
Date Created
2017/05/04
Author
nelsonpsmith

default watermark

default watermark