



2 REITs Yielding 4-5% to Buy in May

Description

Real estate is one of the world's most popular investments, but buying and managing a rental property is simply not for everyone. Fortunately, there are real estate investment trusts (REITs) that can give you the benefits of owning real estate without the hassles that come with being a landlord.

With all of this being said, let's take a closer look at two high-quality REITs with yields of 4% or more that you could buy today.

Morguard North American Residential REIT

Morguard North American Residential REIT ([TSX:MRG.UN](https://www.morguardreit.com)) is one of the largest residential landlords in the United States and Canada. Its portfolio currently consists of ownership interests in 46 apartment properties, including 31 in the U.S. and 15 in Canada, which have a total of 13,472 units.

Morguard currently pays a monthly distribution of \$0.05333 per unit, equal to \$0.64 per unit on an annualized basis, which gives it a yield of about 4.2% today.

On top of being a high yielder, Morguard is an up-and-coming distribution-growth play. It raised its distribution by 6.7% in November 2016 — its first increase since its initial public offering in 2012, which led to 2016 marking the first year in which it had raised its annual distribution and also put in on pace for 2017 to mark the second consecutive year with an increase.

I think Morguard will continue to grow its distribution in the years ahead. I think its very strong growth of funds from operations (FFO), including its 12.7% year-over-year increase to \$57.59 million in 2016 and its 9% year-over-year increase to \$15.28 million in the first quarter of 2017, and its very conservative payout ratio, including a mere 53.3% of its FFO in the first quarter, will allow its streak of annual distribution increases to continue in 2018 and beyond.

Allied Properties Real Estate Investment

Allied Properties Real Estate Investment ([TSX:AP.UN](https://www.alliedpropertiesreit.com)) is one of Canada's largest owners, managers, and developers of urban office properties. Its portfolio currently consists of 155 properties

located across nine major markets that total approximately 11.8 million square feet.

Allied currently pays a monthly distribution of \$0.1275 per unit, equal to \$1.53 per unit on an annualized basis, and this gives it a yield of about 4% today.

Like Morguard, Allied has been growing its distribution, and its streak of annual increases is even more impressive. It has raised its annual distribution for five consecutive years, and its 2% hike in December 2016 has it positioned for 2017 to mark the sixth consecutive year with an increase.

I think Allied will continue to deliver a growing stream of monthly income to its unitholders going forward as well. I think its continued growth of adjusted funds from operations (AFFO), including its 1.4% year-over-year increase to \$142.61 million in 2016 and its 8% year-over-year increase to \$34.11 million in the first quarter of 2017, and its management teams' positive outlook, including its expectation for the "operating and development environment to be generally favourable for the remainder of the year and into 2018," will allow its streak of annual distribution increases to continue into the 2020s.

Which of these REITs belongs in your portfolio?

I think Morguard North American Residential REIT and Allied Properties REIT represent very attractive long-term investment opportunities, so take a closer look at each and consider adding one of them to your portfolio today.

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2. Investing

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