



2 REITs With Yields up to 4.8% I'd Buy Today

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 rental properties, primarily a stream of monthly income, without the hassles that come with purchasing a property or being a landlord.

Let's take a closer look at two high-quality REITs with yields of 3-5%, so you can determine which would fit best in your portfolio today.

Pure Industrial Real Estate Trust

Pure Industrial Real Estate Trust (TSX:AAR.UN), or PIRET for short, is one of the largest owners and managers of industrial real estate in Canada and the United States. As of March 31, its portfolio under management consisted of 162 income-producing properties representing gross leasable area of 20.2 million square feet.

PIRET pays a monthly distribution of \$0.026 per unit, equal to \$0.312 per unit on an annualized basis, and this gives it a yield of about 4.8% today.

It's highly important to always confirm the safety of a REIT's distribution before making an investment, and you can do this with PIRET by checking its distributions as a percentage of its adjusted funds from operations (AFFO).

In its three-month period ended on March 31, its AFFO totaled \$22.65 million (\$0.09 per unit), and its distributions totaled \$19.16 million (\$0.08 per unit), resulting in a sound 84.6% payout ratio.

PIRET is also a very reliable income provider. It has paid monthly distributions uninterrupted and without reduction since its IPO in September 2007, including a 4% hike in November 2012.

I think PIRET will continue to deliver a reliable stream of monthly distributions to its unitholders going

forward too. Its strong AFFO growth, including its 34.2% year-over-year increase to \$22.65 million in the first quarter of 2017, and the ongoing improvement of its payout ratio, including 84.6% of its AFFO in the first quarter of 2017 compared with 87.7% in the year-ago period and 89.8% in the full year of 2016, will allow it to continue to maintain its current monthly rate for decades.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT ([TSX:CAR.UN](https://www.tsx.com/stocks/real-estate/capreit)), or CAPREIT for short, is one of Canada's largest residential landlords. As of March 31, its portfolio consisted of ownership interests in 48,773 residential units, comprised of 42,322 residential suites and 6,451 land-lease sites at 31 manufactured home communities, which are located in and around major urban centres in Canada and the Netherlands.

CAPREIT currently pays a monthly distribution of \$0.1067 per unit, equal to \$1.28 per unit on an annualized basis, and this gives it a yield of about 3.9% today.

You can confirm the safety of a CAPREIT's distribution by checking its distributions as a percentage of its normalized funds from operations (NFFO). In its three-month period ended on March 31, its NFFO totaled \$57.94 million (\$0.429 per unit), and its distributions declared totaled \$43.18 million (\$0.315 per unit), resulting in a solid 74.5% payout ratio, which is within its target range of 70-80%.

On top of a high and safe yield, CAPREIT offers distribution growth. It has raised its annual distribution for five consecutive years, and its two hikes in the last year, including its 2.5% hike in June 2016 and its 2.4% hike in February of this year, have it positioned for 2017 to mark the sixth consecutive year with an increase, and its 2.4% hike in February also has it positioned for 2018 to mark the seventh consecutive year with an increase.

I think CAPREIT will continue to provide its unitholders with a growing stream of monthly distributions in the future as well. Its consistent NFFO growth, including its 10.8% year-over-year increase to \$57.94 million in the first quarter of 2017, the ongoing improvement of its payout ratio, including 74.5% in the first quarter of 2017 compared with 75.8% in the year-ago period, and its growing property portfolio which will help drive future NFFO growth, including its addition of 1,297 residential units over the last year, will allow its streak of annual distribution increases to continue in 2019 and beyond.

Which of these REITs belongs in your portfolio?

I think PIRET and CAPREIT represent fantastic long-term investment opportunities, so take a closer look and strongly consider adding one of them to your portfolio today.

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