2 Retail REITs Yielding 5-7% 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, especially if your interest lies in retail properties, such as shopping centres or grocery stores. Fortunately, there are real estate investment trusts (REITs) that can give you the benefits of owning retail properties without the hassles that come with purchasing a property or being a landlord.

With all of this being said, let's take a look at two high-quality retail REITs with yields of 5-7% that you could buy right now.

Crombie Real Estate Investment Trust

Crombie Real Estate Investment Trust (TSX:CRR.UN) is one of Canada's largest owners, managers, and developers of retail real estate. As of March 31, it owned a portfolio of 281 income-producing properties, including grocery and drugstore anchored shopping centres, freestanding stores, and mixed-use development properties, which are located across the country and total approximately 19.1 million square feet.

Crombie pays a monthly distribution of $0.07417 per unit, equal to $0.89 per unit on an annualized basis, giving it a yield of about 6.3% today.

It's highly important to always confirm the safety of a REIT's distribution before making an investment, and you can do this by checking its distributions as a percentage of its adjusted cash flow from operations (ACFO). In Crombie's three-month period ended on March 31, its ACFO totaled $36.71 million, and its distributions totaled $33.12 million, resulting in a sound 90.2% payout ratio.

With its high yield being confirmed as safe, the next important characteristic we will look at is the reliability of Crombie's distribution. It has paid monthly distributions uninterrupted and without reduction since April 2006, the month following its initial public offering, and it has maintained its current monthly rate since May 2008, which means it is very reliable.

I think Crombie will continue to provide a reliable stream of monthly distributions in the years ahead too. I think its very strong ACFO growth, including its 18.7% year-over-year increase to $36.71 million in the first quarter of 2017, and its greatly improved payout ratio, including 90.2% of its ACFO in the first quarter of 2017 compared with 94.8% in the year-ago period, will allow it to continue to maintain its current monthly distribution for the foreseeable future.

Choice Properties REIT

Choice Properties Real Est Invstmnt Trst (TSX:CHP.UN) is one of Canada's largest owners, operators, and developers of retail real estate. As of March 31, its portfolio consisted of 536 properties, including 518 retail properties, 14 industrial properties, one office property, and three pieces of land held for development, which are located across every province and total approximately 43.7 million square feet of gross leasable area. The majority of its properties are supermarket-anchored shopping centres or standalone supermarkets.

Choice Properties currently pays a monthly distribution of $0.06167 per unit, equal to $0.74 per unit on an annualized basis, which gives it a yield of about 5.2% today.

In its three-month period ended on March 31, Choice Properties's ACFO totaled $90.78 million, and its distributions totaled just $72.92 million, resulting in a conservative 80.3% payout ratio.

On top of its high and safe yield, Choice Properties is a very reliable income provider and it has shown a strong dedication to growing its distribution. It has paid monthly distributions uninterrupted and without reduction since August 2013, the month following its initial public offering, and it has raised its distribution three times since the start of 2016. Its most recent hikes, including its 6% hike in July 2016 and its 4.2% hike last month, have it on pace for 2017 to mark the second consecutive year in which it has raised its annual distribution, and its 4.2% hike last month also has it on pace for 2018 to mark the third consecutive year with an increase.

I think Choice Properties can continue to deliver a growing stream of monthly distributions going forward as well. I think its very strong ACFO growth, including its 15.9% year-over-year increase to $90.78 million in the first quarter of 2017, and the ongoing improvement of its payout ratio, including 80.3% in the first quarter compared with 87.3% in the year-ago period, will allow its streak of annual distribution increases to continue into the 2020s.

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jsolitro