Income Investors: These 3 REITS Pay Yields Above 7%

Description

With bond yields still near all-time lows, many investors have turned to Real Estate Investment Trusts, or REITs, as a superior alternative to traditional fixed-income products to help provide them with income from their RRSP during retirement.

These three REITs offer annual dividend yields in excess of 7% and are worth considering for any investor's income portfolio.

Dream Office Real Estate Investment Trst (TSX:D.UN): **Dividend yield 7.56%**

Dream Office REIT's core strategy is to invest in high-quality office properties in key Canadian markets. Currently, the company owns 23 million square feet of office real estate in urban centres across Canada.

Dream's portfolio is mainly concentrated in the Greater Toronto Area, which accounts for 45% of net 2016 operating income (NOI) with 18% and 8% of operating incomes originating out of Calgary and Edmonton, respectively.

The company's focus is to continue to invest in the Toronto market with an increased emphasis on Montreal and Calgary as secondary markets.

Dream Office shares pay a monthly distribution of $0.125, which works out to $1.50 per year. The company just reported strong Q1 results, including $0.59 of funds from operations (FFO), or an FFO payout ratio of 63%, indicating the dividend should be safe over the next couple of years.

NorthWest Health Prop Real Est Inv Trust (TSX:NWH.UN): **Dividend yield 7.03%**

NorthWest Health Properties is a REIT with a niche focus on acquiring healthcare properties located throughout the major markets of Canada, Brazil, Germany, Australia, and New Zealand.

The company owns 9.5 million square feet of healthcare real estate across 142 properties. In Q1, 39% of the NorthWest's NOI came from Canada, while 28% came from Brazil, and 26% came from

Australia.

NorthWest owns a relatively low-risk portfolio with an occupancy rate of 95.7% and average lease expiry of 11.2 years, meaning the portfolio has relatively low turnover.

With a quarterly distribution of $0.20 versus Q1 FFO of $0.26, the company's FFO payout ratio is higher than Dream's at 77%. However, the lower-risk nature of the company's healthcare assets helps to partially offset this risk.

Northview Apartment REIT (TSX:NVU.UN): **Dividend yield 7.69%**

Northview owns a portfolio of over 24,000 residential suites in more than 60 markets and is Canada's third-largest multi-family REIT.

The company has well-diversified portfolio with 26% of NOI originating from Ontario, 24% from western Canada, while the largest driver of company profits is the northern Canada region (Nunavut and Northwest Territories) at 32% of NOI.

Northview pays a monthly distribution which works out to $1.63 per year. In Q1 the company earned diluted FFO of $0.44, giving it a 93% FFO payout ratio.

Which should you buy?

Dream Office has the lowest payout ratio of the three, indicating the most potential for growth, whereas increases to the distribution for Northview may be somewhat limited given the higher payout ratio. However, Dream also holds the least geographically diverse portfolio with a strong concentration in the Ontario region.

Meanwhile, Northwest Health Properties is focused on the healthcare industry, which is expected to outpace the growth of other industries going forward. Income investors looking for one REIT to buy that they can tuck away in their retirement portfolio for several years without having to worry may opt for NorthWest Health Properties as the conservative pick of the three.

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2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/07/27
Date Created
2017/06/01
Author
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