



Income Investors: Earn up to 7.7% Dividend Yields From These REITs

Description

Owning a piece of real estate to earn monthly income fascinates many of us. Real estate as an asset class has been one of the most trusted ways to generate wealth.

Along with receiving a monthly rental cheque, you benefit from the appreciation of your assets. Historically, real estate beats inflation, so it's been one of the best ways to preserve your cash.

But owning a rental unit comes with a lot of hassle. Imagine a situation where you've got a tenant who suddenly stops paying rent. In this worst nightmare for a landlord, you are not only responsible for paying your mortgage, but you also have to fight a lengthy court battle to evict the tenant legally.

And if you're lucky to find a good tenant, you still have to deal with clogged toilets, a leaking roof, and mowing the lawn as you manage your unit year after year.

Thanks to an investment vehicle known as real estate investment trusts (REITs), you don't need to own a property to become a landlord. In this structure, you become a partner by buying units of a REIT and earn monthly dividends.

The biggest advantage of investing in REITs is that professionals manage the properties for you, and you don't have to deal with the day-to-day issues. Another benefit of investing in REITs is the advantageous tax treatment these companies get from CRA. REITs pay distributions before they pay tax to the taxman, and that's a great thing for investors.

I've selected a few quality REITs which pay dividend yields as high as 7.7% to help you understand their business models and their income potential for your portfolio.

RioCan Real Estate Investment Trust ([TSX:REI.UN](https://www.tsx.com/REI.UN)) is Canada's largest REIT. It manages 300 retail properties across Canada and has some of the biggest retail names as its clients.

RioCan pays a monthly distribution of \$0.1175 per unit, or a 5.8% annualized yield. The most important performance metrics that investors use to analyze the performance of any REIT is its ability to maintain the cash flows to pay its unitholders.

In the case of RioCan, the trust is generating more cash than its distribution to unitholders. In the first quarter of 2017, RioCan generated \$0.44 per unit in AFFO and paid \$0.35 per unit in distributions.

Away from the retail sector, you have **Chartwell Retirement Residences** ([TSX:CSH.UN](#)), the largest operator in the Canadian senior-living space. It manages over 175 locations across four provinces in Canada.

This is one of the safest bets in a REIT investment portfolio because Canadians need more retirement residences and long-term care facilities as baby boomers age and we live longer. This REIT pays a stable monthly distribution of about \$0.048 per unit with an annualized yield of 3.78%.

If you want to be a little risky and are willing to invest in residential apartments, student housing, or the office and industrial space, then **Boardwalk REIT** ([TSX:BEI.UN](#)) and **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) operate in this space.

Dream Global REIT (TSX:DRG.UN) gives you an opportunity to own commercial properties in Europe and diversify your portfolio away from Canada. The trust manages some of the finest buildings in Germany.

But if you look at the yields these REITs pay — for example, 7.7% in the case of Dream Global — you're probably well compensated for the risk you're taking.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:CSH.UN (Chartwell Retirement Residences)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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