



Retirees: Insiders Are Buying This 6.8%-Yielding Canadian REIT

Description

Rising interest rates are not good news for REITs, but before you sell your REITs and scratch them off your watch list, you should know that this negative trend is already baked in to share prices at these levels. In fact, one could argue that the fears over rising interest rates are overblown, and that a lot of REITs may be attractively priced.

Let's face it. For a retiree, there aren't too many high-yield alternatives out there that offer the same stability that a REIT does. Many retirees depend on their income, and although declining interest rates are a negative, I don't believe the excessive pessimism surrounding REITs is warranted. REITs still offer stable income, and some of them even have promising growth prospects that may offset the headwind of rising rates.

Here's one beaten-up REIT that you should consider adding to your portfolio to give yourself a nice raise.

Morguard Real Estate Inv. ([TSX:MRT.UN](#)) owns and operates about 50 commercial properties with about nine million square feet of leasable space under its belt. The trust offers a nice diversified mix of retail, office, and industrial properties for retirees looking for a good mix of income-generating properties.

Why is Morguard struggling?

Over 30% of Morguard's net operating income is from Alberta. I'm sure you know how tough it is to invest in the struggling province, but eventually, the Albertan economy will rise up out of its funk, and Morguard shareholders will be glad that they hung on.

On the plus side, about 40% of the trust's operating income comes from Ontario, which is doing well and provides long-term stability for the trust.

Valuation

Shares currently trade at a 0.6 price-to-book multiple, a 3.7 price-to-sales multiple, and a 9.3 price-to-

cash flow multiple, all of which are slightly lower than the company's five-year historical average multiples of 0.7, four, and 11.1, respectively.

The trust is down about 27% from its all-time high, and the distribution has jumped to a bountiful 6.78%. The trust is experiencing a considerable amount of negative momentum of late, but many insiders have been buying, which indicates that they believe the current sell-off is a great buying opportunity.

Bottom line

When it comes to Morguard, many investors are still very fearful. Not only are interest rates rising, but the turmoil in Alberta is a cause for concern, since nearly a third of the company's operating income comes from the province.

Insider buying is a good sign, and although artificially high, the distribution appears to be safe and has been covered by free cash flow over the last 12 months.

There's a lot of negative momentum right now, so if you're keen on picking up shares of Morguard on weakness, then you might want to use a dollar cost averaging strategy to obtain a potentially lower-cost basis.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRT.UN (Morguard Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/23

Date Created

2017/07/27

Author

joefrenette

default watermark