RRSP Investors: 2 Quality Dividend Stocks for Retirement

Description

It's no secret that dividend stocks are a fantastic option for investors close to retirement. These types of stocks provide regular income with the opportunity for capital appreciation, which can result in significant returns. In addition, dividend stocks tend to be less volatile than non-dividend-paying stocks, creating greater stability for RRSP investors that are close to withdrawing their funds.

One sector that RRSP investors frequently look to is real estate. Many companies within this industry generate strong cash flows and provide juicy dividends. Most importantly, RRSP investors can obtain exposure to a time-tested investment vehicle without the headaches of becoming a landlord.

Pure Industrial Real Estate Trust (TSX:AAR.UN) and **Allied Properties Real Estate Investment** (TSX:AP.UN) are two companies RRSP investors should consider in the real estate industry.

Here's a quick look at both companies.

Pure Industrial REIT

Pure Industrial owns a diverse portfolio of industrial buildings throughout North America. Industrial buildings are a great play on the expected rise of e-commerce. As the demand for warehouses and distribution centres should continue to be high, Pure Industrial should have no trouble maintaining its occupancy rate of 96.3%, which, in turn, further secures the company's future cash flows.

From a valuation perspective, the stock is cheap based on its historical earnings. The stock is currently trading at price-to-earnings ratio of 7.1, which is well below its five-year average of 10.5 and the sector median of 13.8. Therefore, investors don't have to overpay for a company with a steady dividend yield of 4.64%.

Allied Properties REIT

The company owns a well-diversified portfolio of office buildings in nine of Canada's largest urban centres. Not only is the company diversified geographically, but its largest tenant only accounts for 3% of its total revenue. Therefore, the company's earnings are not dependent on one or a few larger tenants, which is a drawback for some REITs.

One of the most attractive features of Allied Properties is management's history of reinvesting capital. Over the past six years, the company has a produced an annual average of over 14% return on equity. In addition, the company has been able to grow its funds from operations by an annual average of 9% during the same period. Therefore, management should be able to sustain its current dividend yield of 3.98%, while continuing to grow its operations.

Foolish bottom line

With these two REITs, RRSP investors will be adding two quality stocks with reliable dividends. Both companies maintain dividend-payout ratios below 35%, meaning investors can take comfort knowing the dividend yields are well within each company's financial constraints. Therefore, RRSP investors should buy and hold these great REITs and watch those returns compound!

Fool on!

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TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)

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