



2 Top REITs With Yields of 4-6%

Description

Real estate is one of the world's most popular investments, but buying and managing a rental property is simply not for everyone. Fortunately, there are real estate investment trusts (REITs) that offer the benefits of owning rental properties, primarily a stream of monthly income, without the hassles that come with purchasing a property or being a landlord.

With all of this in mind, let's take a look at two high-quality REITs, their financial results in the first half of 2017, and their distributions to determine which would fit best in your portfolio.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust ([TSX:REI.UN](https://www.scribd.com/document/381111111/TSX:REI.UN)) is Canada's largest owner and manager of retail-focused properties. As of June 30, it had ownership interests in 299 retail and mixed-use properties, including 15 development properties, which total about 45.35 million square feet.

On August 3, RioCan reported solid financial results for its six-month period ended on June 30, 2017. Here's a quick breakdown of five of the most notable statistics from the report compared with the same period in 2016:

- Revenue increased 2.8% to \$575.3 million
- Net income from continuing operations increased 26.8% to \$318.19 million
- Funds from operations (FFO) increased 4.9% to \$289.39 million
- FFO per unit increased 3.5% to \$0.88
- Adjusted cash flow from operations (ACFO) increased 9.2% to \$252.79 million

The primary reason for owning RioCan today is for its distribution. It pays a monthly distribution of \$0.1175 per unit, equal to \$1.41 per unit annually, which gives it a lavish 5.9% yield today.

Investors must also make the following three notes about RioCan's distribution.

First, it has paid distributions uninterrupted and without reduction since 1994.

Second, it has raised its annual distribution 16 times since 1994, and it has maintained its current annual rate since 2013.

Third, I think the company's strong financial performance, including its aforementioned 4.9% increase in FFO and 9.2% increase in ACFO in the first half of 2017, and its sound distribution-payout ratios, including 79.6% of its FFO and 91.2% of its ACFO in the first half of the year, will allow it to continue to maintain its current annual distribution for the foreseeable future.

Canadian REIT

Canadian REIT (TSX:REF.UN), or CREIT for short, is one of Canada's largest diversified REITs. As of June 30, it had ownership interests in 204 retail, industrial, office, and development properties that total about 33.41 million square feet.

On August 3, CREIT reported very strong financial results for its six-month period ended on June 30, 2017. Here's a quick breakdown of five of the most notable statistics from the report compared with the same period in 2016:

- Property rental revenue increased 5% to \$234.15 million
- Net income increased 19.7% to \$116.13 million
- Adjusted funds from operations (AFFO) increased 8.8% to \$107.22 million
- AFFO per unit increased 8.1% to \$1.46
- ACFO increased 10.6% to \$109.33 million

I think the primary reason for owning CREIT today is its distribution. It pays a monthly distribution of \$0.1558 per unit, equal to \$1.87 per unit annually, and this gives it a generous 4.1% yield.

It's important to make the following three notes about CREIT's distribution.

First, it has raised its annual distribution for 15 straight years, which gives it the longest active streak for a public REIT in Canada.

Second, its two distribution hikes in the last 16 months, including its 1.7% hike in May 2016 and its 2.2% distribution hike in May of this year, have it positioned for 2017 to mark the 16th consecutive year in which it has raised its annual distribution.

Third, I think the company's very strong financial performance, including its aforementioned 8.8% increase in AFFO and 10.6% increase in ACFO in the first half of 2017, and its wildly improved distribution-payout ratios, including 63% of its AFFO and 61.8% of its ACFO in the first half of 2017 compared with 67.2% of its AFFO and 66.9% of its ACFO in the first half of 2016, will allow its streak of annual distribution increases to easily continue into the 2020s.

Which of these REITs belongs in your portfolio?

I think RioCan and CREIT would make great additions to any Foolish portfolio, so take a closer look at each and strongly consider initiating a position in one of them today.

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TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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