2 Real Estate Dividend Stocks Yielding up to 6.6%

Description

As the Canadian real estate bubble continues to make headlines, the latest data has shown that investors are getting scared to buy homes.

Both sales and prices in Toronto, the largest city in Canada, have plunged since April following the government's measures to curb speculation. Sales in July, for example, were down 32% when compared to the same month a year ago, while prices, on average, have fallen over 20% from their peak in April.

For dividend investors, however, it is important to understand that investing in real estate is an important part of a diversification strategy. The good thing is that you don't need to buy a million-dollar home to become a real estate investor.

All you have to do is to pick some stable and growing real estate investment trusts (REITs) and hold on to them to earn your rental income.

Let's find out if **H&R Real Estate Investment Trust** (TSX:HR.UN) and **Chartwell Retirement Residences** (TSX:CSH.UN) are good options to invest when the real estate market is in trouble.

H&R Real Estate Investment Trust

H&R REIT is Canada's largest diversified REIT with total assets of approximately $14.1 billion. H&R REIT runs a portfolio of high-quality office, retail, industrial, and residential properties comprising over 46 million square feet.

H&R REIT has exposure in both Canada and the U.S. with 33% of its assets located in south of the border.

For the second quarter, H&R's funds from operations, a proxy for cash flows, were $0.46 per share on a fully diluted basis, down from $0.52 a share in the same period a year ago.

The company attributed this decline to a one-time lease settlement payment from **Target** in 2016 and the net property dispositions. REITs adjust the underlying value of their properties on a quarterly basis, which creates huge swings in net income.

H&R pays an attractive 6.56% dividend yield, which translates into a $0.1066-a-share monthly distribution. The company's payout is both attractive and secure enough to make the second-largest Canadian REIT a part of your income portfolio.

Chartwell Retirement Residences

Chartwell Retirement Residences is another REIT which fits well in a conservative investment strategy when you want to protect your capital during a tough economic environment.

Chartwell is the largest operator in the Canadian senior living space, managing over 175 locations across four provinces in Canada. As the Canadian population ages, investing in retirement residences and long-term care facilities is probably one of the best strategies in the real estate sector.

This REIT pays a stable monthly distribution of about $0.048 per unit, up 7% over the past five years. At the time of writing, the payout provides an annualized yield of 3.97%.

Chartwell is expanding fast. It's completed a number of important developments and acquisitions this summer that will contribute to its future growth and cash generation for long-term investors.

Bottom line

After a pullback of about 10% in the shares of these stocks since early June due to concerns about a slowing real estate market and rising interest rates in Canada, these REITs are trading at attractive valuations. For investors, this weakness in their share prices provides a good window of opportunity to add some real estate diversification to dividend portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

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