3 REITs Yielding +7% for Income-Hungry Investors

Description

Interest rates remain close to historical lows, despite Bank of Canada's last two rate hikes, which now sees the headline overnight rate at 1% — its highest level since 2009. Such a low rate has effectively sidelined bonds and other traditional income-producing assets, forcing income investors to look elsewhere for yield. One popular source of income that has become extremely appealing in the current macro-environment is real estate investment trusts, or REITs. Let's take a closer look at three attractive REITs that have solid long-term prospects and distributions yielding 7% or more.

Now what?

The first opportunity is **NorthWest Health Prop Real Est Inv Trust** (TSX:NWH.UN), which owns and operates a globally diversified portfolio of 143 healthcare properties across Canada, Australia, New Zealand, Germany, and Brazil. Northwest's distribution yields 7% and it reported solid second-quarter 2017 results. Net income was six times higher than a year earlier, and net operating income shot up by an impressive 17%; such stunning growth can be attributed to recently completed acquisitions.

One of the most impressive deals completed during the second quarter was the purchase of Generation Healthcare REIT in Australia. This added 16 properties including hospitals, medical centres, laboratories and senior care facilities to Northwest's portfolio.

Healthcare properties tend to have steadily growing dependable revenues, which — along with recent asset purchases and an impressive occupancy rate of almost 96% — will ensure the sustainability of Northwest Healthcare's tasty 7% yield.

Next up is diversified REIT and the largest commercial property owner and manager in Quebec, **Cominar REIT** (TSX:CUF.UN), which has a juicy 8% yield.

Its portfolio includes interests in 528 investment properties, and it derives 43% of its operating income comes from office leasing, 22% from industrial and the remainder from retail. For the first six months of 2017, it reported an impressive occupancy rate of 92.4% and, on average, renewed leases yielded an almost 1% increase in net rent, highlighting the quality of its business.

More importantly, unlike other REITs, it has very little exposure to western Canada and the energy patch, where the economy is still suffering because of the prolonged downturn in crude.

The final pick is **Dream Industrial Real Estate Invest Trst** (TSX:DIR.UN), which owns and operates 212 light industrial properties across Canada with the majority located in the east. It has a very tasty 7.7% yield, which, for the first six months of 2017, had a payout ratio of 87% of adjusted funds flow from operations, indicating that it is sustainable.

The business also has considerable strengths, the most important being an impressive occupancy ratio of almost 97% for the second quarter. Such a high ratio bodes well for the sustainability of that monster yield, as does the improving performance of the manufacturing sector reflected by the 5% year-over-year increase in sales of manufacturing goods for July 2017.

So what?

All three REITs offer income-hungry investors a monster yield of 7% or greater, which is well in excess of that offered by traditional income-producing assets, such as government treasuries and GICs. That coupled with the sustainability of those yields, solid outlook for these REITs, and the relatively low-risk nature of the businesses make them very appealing investments.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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