Dividend Investors: Which of These 2 REITs Is the Better Buy?

Description

Are you an income investor looking for a REIT to invest in? Let's look at two of them to see if one is the better buy.

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Agellan Commercial Real Estate Investment Trust (TSX:ACR.UN)

Agellan is an open-ended and unincorporated REIT. It invests in Canadian and American income-producing properties in retail, office, and industrial areas.

This REIT has a net profit margin of 43.62%. This looks fabulous, but it's in the middle of the pack among its peers. For example, **OneREIT** (TSX:ONR.UN) has a profit margin of 22.86%, and **Interrent Real Estate Investment Trust** (TSX:IIP.UN) has a profit margin of 76.72%.

Over the last three years, earnings have declined on average of 19.68% per year, worse than the industry average, which shows growth of 2.76%. Earnings per share currently sit at $1.39. On the positive side, revenue growth has averaged 15.01% annually over the same period, better than the industry average of 8.55%. Agellan needs to watch its expense outlay, so it doesn't eat too much revenue. The company currently has a debt-to-net-equity ratio of 1.35. That's not terrible, but it's still more debt than equity.

The company currently has a return-on-equity number of 13.46%, among the best in the industry. Its trailing P/E ratio is only 8.73, so you won't be paying too much for the company's earnings.

On the income side, the company boasts a hefty dividend yield of 6.38%. The company pays a monthly cash dividend of $0.0646 per share for an annual rate of $0.77 per share. This payout rate has been unchanged since 2013, which means the yield percentage has moved slightly downward over the last few years, but the payout is nice and consistent.

Slate Retail REIT (TSX:SRT.UN)

Slate is also an unincorporated and open-ended REIT. It focuses on revenue-producing commercial real estate in the United States, with particular emphasis on properties that have a grocery store anchor tenant.

This REIT has a profit margin of 26.52%, lower than Agellan. The company's earnings have bounced higher and lower over the last three years, so it's showing some volatility. Earnings per share currently sit at a negative $0.24. On the plus side, revenue growth over the last three years has averaged 97.64%, also well above the industry average. What hurts this company is its whopping debt-to-net-equity ratio of 57.33, meaning the company has 53 times more debt than equity.

Slate's current return on equity number is negative 14.34%, at the bottom of the industry. This REIT isn't great at turning investor dollars into profit. Its negative earnings don't give it a reportable P/E ratio.

One bright spot is the dividend payout. Slate has a higher dividend yield than Agellan at 7.51%. Slate pays a monthly dividend of US$0.0675 per share for an annual payout of US$0.81 per share. This payout has moved both up and down a little over the last few years, so it's not as consistent as Agellan.

Bottom line

Right now, Agellan is the safer buy. Most of its numbers look solid, and its debt load is manageable. The company pays a nice, consistent dividend. Slate has too many negative numbers and a troubling debt load. If you are looking for an REIT for your income portfolio, consider adding Agellan Commercial REIT.

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TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)
2. TSX:SGR.UN (Slate Retail REIT)

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