TFSA Investors: 2 Top Real Estate Stocks Yielding up to 8%

Description

Investing in top quality real estate stocks is a great way to earn stable dividend income for your Tax-Free Saving Account (TFSA).

At a time when real estate prices in the nation's largest cities have shot through the roof, especially in Toronto and Vancouver, it is not easy to make money by just buying rental properties.

If you are planning to buy a rental property, you should keep this in mind: with these price levels and rising interest rates, cash flows from properties will barely cover your mortgage cost and property taxes .

For retails investors, building a real estate income portfolio through real estate investment trusts (REITs) is the best option in this environment. You can get started with this strategy with as little investment as $1,000.

I have picked two top-yielding REITs you can consider for your rental income portfolio.

Artis Real Estate Investment Trust (TSX:AX.UN) is one of the largest diversified commercial REITs , managing industrial, retail, and office properties in Canada and the U.S.

Through its aggressive growth strategy, Artis has built a portfolio of commercial properties in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and select markets in the U.S.

As of June 30, 2017, Artis's commercial property comprises about 25.9 million square feet of leasable area. More than half of Artis's net operating income (NOI) is from office rentals, while 20% is from retail and 23% is from industrial.

One big advantage of owning Artis shares in your portfolio is that this REIT generates more than 30% of its NOI from its U.S.-based rental properties. And this means more cash flows for the company when the Canadian currency is weak.

Trading at $13.73 per unit, Artis offers an above-average yield of ~8%. Investing $10,000 today would generate $800 in passive annual income, which is not bad when GICs are offering just over 2%.

Its stock performance this year has been remarkably well at a time when other REITs suffered amid rising interest rates. Gaining 8% this year, Artis is trading close to its 52-week high. However, it is tough to ignore its tempting 8% dividend yield.

RioCan Real Estate Investment Trust (TSX:REI.UN) is a good pick if you want to stick with the quality and stable names in the Canadian REIT space for your TFSA investments.

RioCan is Canada's largest REIT, managing 299 retail properties across Canada. It owns and manages the country's largest portfolio of shopping centres, including **Wal-Mart** and **Canadian Tire**.

This is not a bad time to consider buying RioCan units, as the company is in the middle of selling about $2 billion worth of properties that are not located in the prime markets. According to media reports, RioCan plans to use half of the proceeds to buy back its shares from the market. RioCan shares have gained about 5% since this announcement, signalling a rebound after trading lower for most of this year.

For your TFSA portfolio, RioCan might prove a valuable long-term investment. It has paid dividends for the past 22 years without a break. During that period, it has raised its annual distribution 16 times.

RioCan generates enough rental income to manage its monthly distribution of $0.1175 per unit. At the time of writing, the payout provides an annualized yield of 5.6%.

CATEGORY

1. Dividend Stocks
2. Investing

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