



These 2 REITs Just Raised Their Distributions by 3.7%

Description

Slate Retail REIT (TSX:SRT.UN) and **Plaza Retail REIT** ([TSX:PLZ.UN](#)) are two of the largest owners and managers of retail real estate in North America, and they just rewarded their shareholders with distribution increases of 3.7%. Let's take a closer look at each REIT and distribution hike, so you can determine if you should add one of them to your portfolio today.

Slate Retail REIT

Slate Retail REIT owns and manages 85 grocery-anchored retail properties in the United States that total about 10.9 million square feet of gross leasable area.

In its third-quarter earnings release on November 2, Slate announced a 3.7% increase to its monthly distribution to US\$0.07 per unit, equating to US\$0.84 per share annually, which brings its yield up to about 8% at the time of this writing based on the U.S. dollar/Canadian dollar exchange rate.

It's important for Foolish investors to make the following three notes about Slate's new distribution.

First, the first monthly payment at the increased rate will come on December 15 to unitholders of record at the close of business on November 30.

Second, the REIT has raised its distribution every year since it initiated its distribution in 2014, so the hike it just announced puts it on pace for 2018 to mark the fourth consecutive year in which it has raised its annual distribution.

Third, the company targets an AFFO (adjusted funds from operations) payout ratio between 70% and 80%, so I think its consistently strong AFFO growth, including its 24.7% year-over-year increase to US\$33.47 million in the first nine months of 2017, and its ongoing acquisition activity that will fuel future AFFO growth, including its acquisition of 11 properties for US\$238.9 million in the third quarter alone, will allow its streak of annual distribution increases to continue in 2019 and beyond.

Plaza Retail REIT

Plaza Retail REIT owns and manages 295 retail properties, including strip plazas, standalone small box retail outlets, and enclosed shopping centres, which are located across eight Canadian provinces and total about 7.7 million square feet.

In its third-quarter earnings release on November 9, Plaza announced a 3.7% increase to its monthly distribution to \$0.0233 per unit, equal to \$0.28 per unit on an annualized basis, which brings its yield up to about 6.5% at the time of this writing.

Foolish investors should also make the following four notes about Plaza's new distribution.

First, this increase is effective for its January distribution, which is payable on February 15 to unitholders of record at the close of business on January 31.

Second, the REIT's [3.8% distribution hike](#) in November 2016, which was effective for its January 2017 payment, put it on track for 2017 to mark the 14th consecutive year in which it has raised its annual distribution, and the hike it just announced puts it on track for 2018 to mark the 15th consecutive year with an increase.

Third, Plaza has the second-longest active streak of annual distribution increases for a public REIT in Canada, which is only one year behind [Canadian REIT's streak](#).

Fourth, I think Plaza's consistently strong financial performance, including its 17.7% year-over-year increase in AFFO to \$25.43 million in the first nine months of 2017, and the ongoing improvement of its AFFO payout ratio, including 81.6% in the first nine months of 2017 compared with 88.6% in the same period in 2016, will allow its streak of annual distribution increases to easily continue into the 2020s.

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