Need Income? Check Out These Depressed REITs

Description

Real estate investment trusts (REITs) and utilities are great for stable income. REITs typically own and manage a portfolio of properties and could also be involved in development or redevelopment activities. In any case, they'll earn rental income from their real estate assets. And they distribute some of that to unitholders.

Get high income from REITs

It's actually pretty common to be able to generate yields of ~6% from REITs. Unfortunately, in today's market environment, it's not easy finding REITs that are cheap.

That said, here are a few that are more of a bargain than others. It's not surprising that they're all retail REITs given the general pressures brick-and-mortar retail have been experiencing.

Crombie Real Estate Investment Trust (TSX:CRR.UN) earns rent from 287 properties, which total roughly 19.5 million square feet. The REIT generates annual revenue of ~$410 million.

Crombie focuses on owning a portfolio of high-quality grocery and drug store-anchored shopping centres, freestanding stores, and mixed-use developments primarily in Canada's top urban and suburban markets.

Notably, Crombie's largest tenant, Sobeys, generates about half of its rent. Sobeys's parent company is **Empire Company Limited**, which has been on a turnaround path after the slowdown in Alberta combined with a trip-up with the Safeway integration. Crombie's second-largest tenant is Shoppers Drug Mart, which contributes about 5% of its rent.

With a funds from operations payout ratio of ~76%, Crombie's cash distribution should be intact. At the recent quotation of $13.75 per unit, the retail REIT offers a yield of ~6.5%.

RioCan Real Estate Investment Trust (TSX:REI.UN) is the largest REIT in Canada. Its portfolio consists of about 300 properties, which total about 63 million square feet. The REIT generates annual revenue of ~$1.1 billion from ~6,400 tenants. So, RioCan has little single-tenant risk.

RioCan recently announced a distribution hike of 2.1% for its January 2018 distribution. This is the first distribution hike since 2013, and it signals management's confidence about the company going forward.

A growth area for RioCan is intensification in key markets. In fact, the company has identified 75 projects, of which 46 have received zoning approvals, in six high-growth markets. Because RioCan already owns the land, the projects are opportunities for the company to generate higher income.

With a payout ratio of less than 86% based on the new distribution, RioCan's cash distribution should be safe. At the recent quotation of $24.85 per unit, the retail REIT offers a yield of ~5.7%.

Investor takeaway

Investors can consider Crombie or RioCan for monthly income. Crombie offers a bigger yield, but RioCan could experience more growth in the next 12 months.

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