



Income Investors: Should RioCan Real Estate Investment Trust Be on Your Buy List?

Description

Retirees and other income investors are searching for reliable distributions that offer above-average yields.

Let's take a look at **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.scribd.com/document/388111111/TSX:REI.UN)) to see why it might be an interesting pick.

Oversold?

RioCan has been on an [upward trend](#) for the past three months but still trades down for the year.

Investors sold the stock through the first nine months of 2017 amid concerns that rising interest rates would put a pinch on cash flow available for distributions.

REITs tend to carry significant debt, so the theory has merit if revenue doesn't increase and debt isn't reduced.

Fears about the ongoing troubles faced by department stores have also hit the REIT. RioCan certainly has tenants in that space, but no single company represents more than 5% of the company's revenue base, and the bulk of RioCan's renters operate in sectors that are less susceptible to online shopping threats.

Overall, the pullback was probably [overdone](#), and more upside could be on the way.

Why?

The company sold its U.S. properties last year and used the bulk of the proceeds to reduce debt. In addition, RioCan is planning to unload \$2 billion in non-core properties located in secondary markets over the next two or three years.

Net proceeds of about \$1.5 billion will be used to repurchase trust units and fund the development

program in the major markets. The company recently announced the first sale, which included seven properties for a total of \$200 million.

Committed occupancy remains strong at 96.8%, and retention rates in Q3 rose to 93.6% compared to 83.1% in the same period last year.

Growth

On the growth side, RioCan is proceeding with a residential development program that could see 10,000 units built at its top urban locations over the course of the next decade.

The project is still in its early stages, but it could provide a nice revenue boost if the concept takes off.

Distribution growth

RioCan recently announced a 2% increase to the distribution, effective next year. The new monthly payout of \$0.12 provides an annualized yield of 5.8% based on the unit price at the time of writing.

Should you buy?

RioCan's payout should be safe, and the latest increase suggests management is comfortable with the revenue outlook over the medium term.

If you have some extra cash and are looking for a high-yield income pick, RioCan probably deserves to be on your radar.

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