



A High-Yield Holiday Gift

Description

One of the best places to shop for high yield is in real estate investment trusts (REITs). REITs generate stable income from real estate portfolios, which are much more diversified than what a typical investor can get exposure to. So, income investors should highly consider having a part of their portfolio comprising of REITs.

When it comes to REITs, no doubt the bigger names first come to mind, including diversified REIT **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)) and retail REIT **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)), which offer safe yields of ~6.6% and ~5.6%, respectively.

However, here's a name that offers a bigger yield and more value, too.



Fellow Motley Fool Canada writer Will Ashworth reminded me of **American Hotel Income Properties REIT LP** ([TSX:HOT.UN](#)) when he mentioned that there was [insider buying](#) on the stock recently. Sure enough, six insiders have bought shares directly or indirectly from the public market this month between \$9.13 and \$9.30 per share.

Insiders can sell for many reasons, but insider buying can only mean one thing — that the insiders think the stock in question is a great value.

American Hotel is trading at a lower price per unit than when it had its initial public offering. However, the company looks drastically different than it did a few years back.

American Hotel in 2013

In 2013, [American Hotel had 32 hotels](#) across 19 states, and it used to generate more than 40% of its net operating income (NOI) from serving the rail crew accommodation, transportation-oriented, and select-service lodging sectors. This income was viewed as very stable because of the long-term contracts with big rail companies.

American Hotel today

Now, American Hotel owns, operates, and manages premium branded, select-service 115 hotels in U.S. secondary markets in 92 cities across 33 states with a total enterprise value of ~\$1.6 billion. And it generates only 19% of its NOI from the rail crew accommodation, transportation-oriented, and select-service lodging sectors.

Since 2013, American Hotel's adjusted funds from operations payout ratio has reduced from ~115% to ~76%. The company also plans to improve the quality of some of its hotels.

For next year, it has reserved \$35.8 million for this purpose, which should improve the company's revenue-per-available-room metric. So, its large distribution yield of +9% should remain intact given the low payout ratio.

Investor takeaway

American Hotel's technical chart isn't exactly bullish. However, investors looking for a safe yield at a value should start picking at this high-yield stock.

Personally, I bought some shares below \$9 per unit in early September in my RRSP account. With the recent insider-buying activities, it's not a bad idea to consider buying more at current levels.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)
2. TSX:HR.UN (H&R Real Estate Investment Trust)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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