3 REITs Yielding Up to 6.8% to Consider As Interest Rates Rise

Description

The early rate hike from Bank of Canada has put pressure on what have been attractive dividend-yielding stocks since the financial crisis. Utilities, telecom, and real estate stocks have all been pummeled in 2018, with rising bond yields sparking a rout and spooking investors. However, central banks remain anxious and Bank of Canada has reiterated its intention to err on the side of caution going forward.

Real estate investment trusts are always in the conversation for investors on the hunt for high yields. How attractive are some of the top REITs in this interest rate environment? Today we'll review three of the top Canadian REITs.

Canadian REIT

Canadian REIT (TSX:REF.UN) is a Toronto-based real estate investment trust that owns and operates a portfolio of retail, industrial, and office properties. Shares of Canadian REIT have increased 8.3% in 2018 as of close on February 20. Shares surged after the announcement that the Weston family had placed a $3.9 billion dollar bid for Canadian REIT. It would combine with **Choice Properties Real Estate Investment Trust** to become the largest REIT in Canada, with an enterprise value of $16 billion.

Canadian REIT released its 2017 fourth quarter and full-year results on February 12. It delivered 6.6% growth in adjusted funds from operations (AFFO) per unit in 2017 and added over 1.5 million square feet of gross leasable area (GLA). The stock offers a dividend of $0.16 per share, representing a 3.7% dividend yield.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust (TSX:REI.UN) is a Toronto-based REIT whose portfolios include shopping centres and mixed-use properties. RioCan stock has dropped 2.1% in 2018. It has made a concerted effort to consolidate its holdings in larger metropolitan areas in order to maximize its commercial real estate. The company released its fourth quarter and full-year results for 2017 on February 13.

In 2017, operating income rose 5.4% to $737 million; in the fourth quarter, operating income increased 3.7% to $188 million. Funds from operations (FFO) climbed 6.7% to $585 million in 2017 and FFO per unit in the fourth quarter jumped 9.3%. Its lease renewal retention rate increased to 91.1% in 2017 compared to 85.8% in 2016. RioCan also obtained 4.5 million square feet of zoning approvals in 2017.

The stock offers a dividend of $0.12 per share representing an attractive 6% dividend yield.

H&R Real Estate Investment Trust

H&R Real Estate Investment Trust (TSX:HR.UN) is a Toronto-based REIT with commercial and residential properties located in Canada and the United States. Shares of H&R REIT have declined 5% in 2018 thus far. The company released its Q4 and 2017 results on February 14.

Net income climbed to $667.9 million compared to $388.7 million in 2016. Payout ratio per Staple Unit increased to 75% over 68.9% in the prior year. In November H&R also announced plans to sell 79 of its U.S. retail properties and 12 U.S. industrial properties as part of its efforts to streamline its property portfolio.

The stock also offers a dividend of $0.12 per share representing a 6.8% dividend yield.

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