



Earn a 6% Yield With RioCan Real Estate Investment Trust

Description

The fear of **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) destroying traditional retail is very real. With Amazon's expansion into a variety of fields, it has set its sight on everything. A variety of retail REITs have seen their shares crater.

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) has given up over 12% of its value over the past year. And if you look at the stock over a five-year period, before dividends, investors are down. That's a frustrating situation, but I think the [markets have been overreacting](#) about Amazon destroying retail. There's no denying that many malls are going to go out of business. There's simply too much retail out there.

However, RioCan doesn't own just any retail. It invests in high-quality shopping centres that have more pull than just retail. For example, **Cineplex** is a major anchor tenant, bringing people to the mall even when they might not be thinking about buying things. It also has **Canadian Tire**, **Wal-Mart**, **Loblaws**, and **Dollarama** as tenants.

There is no denying that only the best malls are going to survive. With that, RioCan has begun the process of selling off 100 of its properties that are in Canada's smaller cities. Instead, it wants to focus on Toronto, Ottawa, Vancouver, Calgary, Edmonton, and Montreal.

CEO Edward Shonshine explained that "they [the properties for sale] account for a third of our properties, but they account for much less than 20% of the value of our portfolio. We are going to be very Toronto-Ontario-centric when we are done. We will be over 50% in what I will call the Greater Toronto Area."

The company has already completed or entered firm agreements to sell \$512 million of properties, which the company believes represents approximately 25% of the disposition target. A leaner RioCan is going to be a net positive for the company.

And despite worries that Amazon is going to eat its lunch, RioCan is in an amazing position. Funds from operations increased 6.7% to \$585 million for the full year, and that's despite the US\$1.9 billion sale of its 49 U.S. properties back in 2016. Same-property NOI increased by 2.1%. Committed

occupancy improved by 100 basis points to 96.6%, and lease renewal retention increased to 91.1% from 85.8%.

You have a company with the vast majority of its tenants returning. And even if some of them back out, no single tenant accounts for more than 5% of its revenue, which means RioCan is in a great position.

That's why management increased the dividend. Although it was a small 2.1% increase, it adds \$0.03 per year, increasing the dividend from \$0.1175 to \$0.12 per month. And with shares down as far as they are, you get to earn a 6% yield.

I can't predict where the bottom is for RioCan, but the future remains particularly bright for the company. And with management actually increasing the dividend, I'm confident this is a great income stock.

CATEGORY

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1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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