This REIT Is a Must-Have if You Want Growth

Description

Most REITs offer a great dividend and a well-diversified portfolio of assets, which are two of the main reasons why REITs remain some of the most lucrative and popular investments to add to any portfolio.

One REIT that continues to garner significant attention is **RioCan Real Estate Investment Trust** (TSX:REI.UN).

RioCan is no stranger to long-time investors. The company was, until recently, the largest REIT in the nation. But RioCan being dethroned has more to do with a massive strategic shift that the company is undergoing, which holds massive potential for the long term.

RioCan's opportunity

RioCan is traditionally a shopping centre REIT. That strategy has worked well for the company over the years, as RioCan grew in size. Still, changing consumer tastes and the onslaught of mobile commerce has brought the long-term viability of the ailing shopping centre model into question.

Several prominent legacy retailers have already closed their doors over the years, as declining traffic and competition from online merchants have upset the traditional retail model, the most recent being Sears Canada, which folded last year.

The solution that RioCan is looking to adopt involves constructing a moat around key RioCan assets — more specifically, apartment buildings. It's an idea that is brilliant and innovative.

Declining foot traffic to stores will eventually take its toll and cause some stores to close. Rather than wait to circle the drain, RioCan's plan is to redevelop parts of those shopping centres into apartment buildings, which will provide a steady stream of rental income for the company, while maintaining a sizable retail presence as well.

RioCan has set a target of unloading $2 billion worth of assets and re-aligning the company focus on rental properties in the major urban areas of the country, where demand and rents will be the greatest. In total, RioCan has indicated plans to sell up to 100 of its properties to help bring that rental property vision of constructing 10,000 residential units to reality, even dubbing the project "RioCan Living."

The change in focus doesn't completely dismiss the retail sector; many of the new projects will involve multiple ground floors of retail with a tower of apartments.

What about interest rates?

Over the course of the past year, the steady rise in interest rates has made investors second-guess long-time favourite investments like REITs. Three interest rate hikes last year have already taken their toll on REITs such as RioCan, which is trading down nearly 5% year to date.

Despite that risk, RioCan has the right idea, and the REIT still has a massive portfolio to build those mixed-use properties to set up a recurring revenue stream, which leads to another reason that investors should consider RioCan as an investment…

RioCan offers investors a very handsome distribution, which pays an incredible 6.21% yield. The yield is both stable and secure. RioCan hasn't been coy about hiking its dividend either; a record of rewarding shareholders goes back over two decades and includes 17 hikes to that alluring distribution.

This factor alone puts RioCan on par with many of the best dividend investments on the market, and this may be the reason that some investors buy and forget this long-time favourite.

When you factor in the current stock price of just over $23 that comes with an attractive P/E of just 10.75, RioCan emerges as a complete package that really should be part of nearly every portfolio.

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dafxentiou