Why RioCan Real Estate Investment Trust Is a Good Long-Term Investment

Description

REITs are some of the best investments on the market. They allow the everyday investor the opportunity to invest in what could be hundreds of properties around the country or even internationally and get a feel for what it's like to be a landlord by collecting a handsome dividend that, generally, is distributed monthly, just like a landlord's rent.

RioCan Real Estate Investment Trust (TSX:REI.UN) is one of the largest REITs in the country, and investors that already have the stock in their portfolios are benefiting from that investment. For those investors that either haven't added the stock or are contemplating increasing their position, here are some reasons to consider it.

Why RioCan makes a great investment today

RioCan is like other REITs in that the company invests in predominately retail shopping malls. Most of RioCan's tenants are large retail heavyweights, which adds an element of stability. The properties are also well diversified, so a single tenant will not comprise more than 5% of the company's revenue.

In total, RioCan has 289 properties that, together, provide a net leasable area of 44 million square feet, with an occupancy rate in excess of 96%.

RioCan will continue to be a great investment in the future

Despite RioCan's current lucrative model, it is not without risk, and the company is in the process of reinventing itself to operate in an even more lucrative niche.

RioCan is foregoing smaller markets to focus solely on the larger metro areas of the country. The larger metro areas offer larger and more densely populated areas, which can also fetch higher rates for RioCan.

Another intriguing development is RioCan's stated objective to re-purpose some commercial retail properties into mixed-use properties. The gradual progression into the residential market could prove to be a significant income driver for the company in the future, especially as retailers continue to struggle with declining store traffic and increasing competition from online retailers.

Within the next five years, RioCan believes that nearly 5% of its operating income will be driven by a mixed-residential segment, doubling to 10% within a decade. Overall, the company plans to construct 10,000 residential units in metro locations over the next decade, which the company refers to as RioCan Living.

Is RioCan a good investment?

The transition to mixed-residential is an interesting play RioCan. Mixed-use properties, such as several floors of prominent retailers that have a condo tower built on top are becoming increasingly more common, especially in the major urban areas that RioCan is targeting.

In addition to the obvious growth prospects from this diversification, RioCan also offers an impressive monthly distribution that amounts to a yield of 6.21%. RioCan has been consistently paying out dividends for well over two decades, rewarding shareholders with a hike 17 times. This factor alone makes RioCan an intriguing investment for income-seeking investors.

RioCan currently trades at just below $24 with a P/E of 10.93.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2018/06/14

Author
dafxentiou