Are These REITs a Good Option for Income Investors Right Now?

Description

I have avoided discussing REITs since December 2017 largely due to uncertainty in the Canadian real estate market. The Canadian market has continued to experience volatility in 2018, especially on the back of new mortgage regulation instituted by the OSFI, but REITs have been a good source of stable income so far.

Will this continue to be the case as we look ahead to the late summer and fall of 2018? Conditions in the Canadian housing market have improved in the latter half of 2018 so far, but real risks remain. Let's take a look at three top REITs and figure out whether or not these are good options for investors on the hunt for income right now.

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

RioCan REIT has climbed 1.5% in 2018 as of close on July 23. Shares are up 2.3% year over year. These numbers are especially solid considering the dividend offered at RioCan. The company last announced a monthly dividend of $0.12 per share, representing an attractive 5.7% dividend yield.

RioCan is expected to release its second-quarter results on August 8. In the first quarter, RioCan saw IFRS operating income rise 1.9% year over year to $182 million, and funds from operations climbed 4.5% to $149 million. As of May 8, 2018, RioCan had completed or entered agreements to sell $583.4 million in secondary markets at a weighted average capitalization rate of 6.14%. Like other REITs, RioCan has sought to decouple itself from smaller markets to refocus strategy on Canada's largest metropolitan areas.

The company has managed to achieve some of its short-term strategic goals and is well situated ahead of its Q1 report. RioCan is a nice income play for the remainder of 2018, boasting a tasty monthly dividend.

H&R Real Estate Investment Trust (TSX:HR.UN)

H&R REIT has dropped 7.7% in 2018, and the stock is down 9% year over year. It is also expected to release its second-quarter results in early August. The company released its first-quarter results on

May 11.

H&R also made the commitment in late 2017 to streamline its property portfolio — a common shift for REITs. In the final quarter of 2017, it sold six U.S. industrial properties of $106.1 million. In the most recent quarter, rentals from investment properties rose 1.6% year over year to $298.6 million. However, net income plunged 43.1%. Excluding non-cash items, profit rose $0.4 million to $89.2 million.

H&R stock also offers a monthly dividend of $0.115 per share, representing a 7% dividend yield.

Cominar Real Estate Investment Trust (TSX:CUF.UN)

Cominar REIT has dropped 11.6% in 2018, and shares are down 4.8% year over year. The company is set to release its second-quarter results on August 9.

In the first quarter, Cominar announced the quarter-end sale of a portfolio of 95 properties for proceeds of $1.14 billion. It reduced its debt ratio to 51.3% and has also laid out a strategy to refocus on its core markets. The stock offers a monthly dividend of $0.06 per share, representing an 8% dividend yield.

RioCan is still the most attractive option among these three, but H&R and Cominar both offer promise with early success in streamlining strategies.

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