

Supercharge Your Income: 2 Reliable REITs With Yields Over 7%

Description

As income investors, we all want to give ourselves a raise, even if it means sacrificing the capital gains or dividend/distribution growth front over the longer-term.

Many of today's retirees want the fattest quarterly (or monthly) paycheques upfront, so it naturally makes sense to hunt for the highest yielding of securities, which may be a risky strategy if you don't ensure proper due diligence before pulling the trigger on the high-yielding name in question.

Higher upfront yields typically mean higher risk, and although REITs are required to pay out 90% of their taxable income to investors, when it comes to distribution payout streams, REITs aren't on a level playing field. That's because actual cash flows may differ drastically for two REITs with the same magnitude of net income for any given period of time.

Simply put, some distribution payouts are more sustainable than others. While it may make sense to shun REITs with extremely high yields north of the 6% mark, I believe you're doing your portfolio a massive disservice, as many +7% yielding REITs not only have safe income streams, but also have the potential to offer more in the way of capital gains compared to your average low-yielding REIT, which may be more expensive and riskier than a REIT with a higher yield.

There are no 100% safe dividend/distribution payouts, not even in the REIT sector. But if you know where to look and know how to evaluate a REIT and its payout stream, you could end up with a name that'll allow you to "have your cake and the ability to eat it too." In other words, you'll get a fat yield to go with promising long-term capital gains, thus maximizing your risk/reward trade-off to the fullest extent.

Without further ado, here are two of my favourite +7% yielding REITs that I'd feel comfortable recommending to income investors who may be looking to give themselves a nice raise:

Automotive Properties REIT ([TSX:APR.UN](#))

Automotive Properties' 7.2% distribution yield is a thing of beauty.

The trust's relatively small market cap of \$187.5 million has likely kept the name off the radar of everyday income investors. Although the yield may seem too good to be true for conservative income investors, the payout actually appears safe, as it's covered by funds from operations (FFO). Believe it or not, there may be enough room for distribution raise at some point down the road!

Sure, the "automotive" keyword may be a turn off for some prospective investors. When you look under the hood, however, you'll see that the trust has a lengthy weighted average lease term of nearly 13 years, which is long enough such that investors should have zero worries when it comes to the volatile ups and downs that the auto industry may be experiencing over the short to medium term.

Simply put, Automotive Properties is a misunderstood REIT with a generous payout that income

investors should feel comfortable owning if they're looking for a raise without the added worry of wondering if their newly elevated payout is safe.

NorthWest Health Properties REIT ([TSX:NWH.UN](#))

With a 7% yield, NorthWest Health REIT is another way to [bolster your income stream](#) without putting it at risk of a potential future payout reduction. The trust owns a portfolio of healthcare properties, which include medical office buildings and hospitals.

As Baby Boomers continue to age, the health issues are bound to mount, which means more trips to the hospital and more paperwork to go along with it. The demand for health properties is going to rise, and ridiculously, investors have the opportunity to ride that long-term tailwind while they rake in a fat 7% distribution yield that would make any other retiree envious.

With its \$1.2 billion market cap, NorthWest Health REIT is substantially larger than Automotive Properties REIT, but it's still a small player compared to the likes of other behemoths in the REIT space, which may not have as much room to run over the long haul.

Foolish takeaway

The +7% yields of both Automotive Properties REIT and Northwest Health REIT are not only bountiful, but they're also [safe ways to boost](#) any income portfolio.

Stay hungry. Stay Foolish.

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TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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