

Income Investors Rejoice: This Reliable 8% Yielding REIT Is Picking Up Traction!

Description

It's not every day you come across an 8% yield that's not attached to a damaged business with a questionable cash flow stream. While I encourage retirees to avoid ["artificially high yielding"](#) securities, or securities whose yields are only high because the underlying security has declined in price by a ridiculous amount, I'd also welcome retirees to analyze high-yielders in their spare time, in case they come across an anomaly: a safe high-yielding security whose share price is exhibiting upward momentum.

Well, hold the presses because I think I've found [one of the best](#) income investments that money can buy — and you've probably never heard of the name.

Enter **Inovalis REIT** ([TSX:INO.UN](#)), a 7.9% yielding REIT that recently broke its all-time high, and over the past three years, the stock actually rallied by around 17%.

Talk about having your cake and eating it too! So, Inovalis isn't an artificially high yielding REIT, so why is the payout so generous, and is there some sort of catch involved?

Looking under the hood, you'll notice that the firm's funds from operation (FFO) has steadily been on the uptrend over the past few years. Moreover, FFO has consistently been above the distribution payout amount.

For the trailing 12 months, Inovalis has returned 71.4% FFO payout ratio, which is applause-worthy in itself given how massive the yield is and how much additional wiggle room there is for additional distribution raises moving forward.

So, the distribution is safe and likely to grow, but what kind of REIT is Inovalis and what's to be expected over the next decade?

The REIT consists of 13 office properties across France and Germany as of the end of September 2017. While office REITs may be a turn-off for prospective investors, one can't help but admire the trust's 96.7% occupancy rate, which is respectable because properties are located in prime locations.

Think the Paris core, Frankfurt am Main and Stuttgart. I don't care if everybody's going to be "working from home" tomorrow, the underlying real estate assets and their location are applause-worthy, and will likely continue to appreciate in value, year after year.

Foolish takeaway

Today, Inovalis REIT is trading at a pretty depressed multiple, which is likely due to the fact that the trust only has a \$238.2 million by market cap and given it's an office play.

Despite being a small player in the real estate arena, the international diversification and the favourable risk/reward trade-off make for a very compelling own for a retiree who wants income without

excessive risk or worry of the sustainability of the payout.

Stay hungry. Stay Foolish.

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Author

joefrenette

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