3 High-Yield REIT Stocks Under $7

Description

Buying real estate can be a great way to diversify your investment portfolio. While correlations can occasionally align with equities, the real estate sector typically is much more stable.

Instead of scouting, buying, and managing your own properties, it can be easier to outsource this process to professionals by purchasing shares in a publicly traded REIT.

REIT stocks essentially own and manage real estate properties with one twist: they can pay out earnings to shareholders tax-free. While the investors still need to pay individual taxes, this tax advantage removes the trouble of double taxation, where both the corporation and individual pay taxes on the earnings, which is often what happens with stocks that pay a dividend.

In total, REITs can be a tax-efficient way to diversify your portfolio with income-generating assets. Finding under-the-radar REITs can magnify these benefits.

Here are a few promising REITs under $5 per share to choose from.

BTB Real Estate Investment Trust (TSX:BTB.UN)

With a dividend yield of 8.8%, BTB is a popular choice among high-yield investors. While that dividend may seem too good to be true, management has paid out a similarly sized yield for more than a decade, cutting the payout only during the financial crisis of 2008 and 2009.

Now with 66 commercial, office, and industrial properties totaling 5.2 million square feet, BTB doesn’t have any fancy or highly differentiated approaches to real estate. Instead, it simply focuses on acquiring properties at reasonable prices, attracting high-quality tenants, and generating reliable cash flows.

The stock price hasn’t budged over the past decade despite swings along the way. With an 8.8% income, however, this stock has still been a winner for shareholders.

Plaza Retail REIT (TSX:PLZ.UN)

With a dividend yield of 6.7%, Plaza still generates income for investors beyond the industry average. In contrast to BTB's more diversified approach, Plaza focuses exclusively on retail. While this may seem riskier, the company has managed this approach well, increasing its dividend payout every year since 2003.

The company's secret has been to focus on national retailers. Local or regional tenants typically show much higher rates of turnover compared to larger competitors. To avoid that risk, Plaza has filled its properties with tenants like **Dollarama Inc**, **Bank of Nova Scotia**, and **Mcdonald's Corp**.

Today, more than 90% of Plaza's properties are occupied by national retailers, providing the company with a level of stability that few retail REITs can match.

True North Commercial REIT (TSX:TNT.UN)

With a dividend yield of 9%, True North provides the highest level of annual income of any stock on this list. But is that yield sustainable?

True North owns and operates commercial properties in urban centers across Canada, including Alberta, Ontario, British Columbia, New Brunswick, and Nova Scotia. The company boasts a 97% occupancy rate (the highest on this list), but notably, only has average remaining lease terms of 4.3 years.

Shorter lease terms are offset with a high-quality tenant base. Around 40% of tenants consist of government entities while an additional 40% are large, national firms such as **Toronto-Dominion Bank**
.

With a policy of returning 100% of its capital, investors can continue to bank on high dividends from True North. Shorter lease terms, while concerning, aren't that worrisome compared to the company's industry leading occupancy rates.

CATEGORY

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2. TSX:PLZ.UN (Plaza Retail REIT)
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