Two High-Yield REITs to Fill Your TFSA With Cash

Description

Real estate will never go out of style. People will always need homes to live in and places in which to conduct their businesses. REITs offer investors the option of investing in real estate, but indirectly. This option offers many benefits. Shares of REITs are more liquid and come with less hassle than directly purchasing real estate properties. Let's look at two Canadian REITs TFSA investors should consider investing in: **Dream Office REIT** (TSX:D.UN) and **Northview Apartment** REIT (TSX:NVU.UN).

Dream Office REIT

Dream Office operates business properties primarily in the Toronto area. About two-thirds of the company's properties are located in or around Toronto, while the rest are dispersed mostly in secondary markets throughout Canada. Dream Office's high exposure to one of the largest markets in Canada has its advantages.

With urban areas growing in population and becoming increasingly more active, businesses (which make up the majority of Dream Office's tenants) will likely benefit. However, this high exposure also has its disadvantages, lack of diversification being the most obvious.

Despite its revenues decreasing in recent years, Dream Office's net income and funds from operations have been increasing. After posting net losses in 2015 and 2016, the company rebounded over the past two years. Dream Office decreased the number of properties it owned by about 78% over the past three years (down from 166 in December 2015 to 37 in December 2018).

In short, the Toronto-based REIT has managed to decrease costs by shedding unproductive and inefficient properties and focusing on high-margin ones. Dream Office's occupancy rate has increased by a few percentage points over the same period.

Dream Office currently offers a juicy 4.29% dividend yield and issues monthly dividend payouts. The company's payout ratio sits at about 34%, which offers plenty of room for growth.

Northview Apartment REIT

With over 27,000 residential homes in eight provinces, Northview owns and operates a geographically diversified pool of apartment properties across Canada. The geographical breakdown of Northview's operating income is testament to how well diversified the firm is, with the Northern, Western, and Atlantic regions of Canada contributing 27%, 23%, and 14%, respectively.

The Ontario and Quebec regions are responsible for 30% and 6% of the company's operating income. Northview generally maintains occupancy rates above 90% for its residential properties.

Much like Dream Office, Northview has tried to improve its balance sheet by reducing its debt level in recent years. The company has sold millions worth of non-core assets over the past three years, and its debt to book value has decreased by about 4%. Over the same period, the company's revenue grew by 11%, while net income and funds from operations increased by 293% and 13%, respectively.

Northview also offers monthly dividend payouts. With a current yield of 5.78% and a payout ratio standing at 36.45%, Northview seems well-equipped to sustain its current dividend levels.

The bottom line

REITs are notorious for being excellent options for income investors, providing investors high dividend yields and stable dividend payments due to the nature of their business operations. Dream Office and Northview are two REITs income-oriented would do well to consider.

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TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)

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