Dividend Investors: Become a Mini-Landlord With These 3 High-Yield REITs

Description

REITs are among the easiest and most convenient vehicles for investing in real estate. The give you the ability to buy into a pre-existing real estate portfolio that's managed by a dedicated team and let you bypass all the usual chores that come with buying property. Additionally, since many REITs specialize in commercial and corporate office space, they let you get in on types of real estate that you wouldn't otherwise be able to buy as a small-time investor.

With that said, REITs aren't necessarily always great bets. In a talk before a group of MBA students, Warren Buffett said that he generally didn't like REITs, owing to the fact that they come with higher costs compared to other real estate investments. He also added, however, that they can be attractive investments if the price is right.

In any case, REITs are natural choices for TSX dividend investors, as they have some of the highest yields around. If that's what you're looking for, here are three TSX-listed REITs that can add some much-needed income to your RRSP or TFSA.

RioCan Real Estate Investment Trust

With $14 billion in assets, **RioCan REIT** (TSX:REI.UN) is Canada's largest REIT. The company specializes in corporate and commercial space, owning a number of "trophy" properties, including The Well and part of the Yonge Sheppard Centre in Toronto.

RioCan's properties consist, to a large extent, of retail shopping space — a niche that has come under some scrutiny as e-commerce companies eat into retail profits. However, because RioCan specializes in trendy "flagship" buildings, it's less vulnerable to declining retail activity than REITs that specialize in cheaper strip malls. The company is also branching out into other areas of real estate.

In its most recent quarter, RioCan's net income increased from $137 million to $194 million. Its stock pays a dividend that yields 6.2% as of this writing.

Northwest Healthcare Properties REIT

Northwest Healthcare (TSX:NWH.UN) is a REIT that focuses on healthcare properties like hospitals and health clinics. The REIT's institutional clientele ensures an unusually stable and dependable income stream, which is reflected in its excellent occupancy rates: 96% overall, and 98% on its foreign properties. Its $0.80 annualized distribution works out to a yield of 6.6%.

H&R Real Estate Investment Trust

H&R (TSX:HR.UN) is a highly diversified REIT that invests in office, retail, industrial and residential properties. With 43 million square feet of real estate, it's one of the country's largest REITs.

H&R faced challenges in its most recent quarter, with net income down 103%. However, funds from operations — the more commonly used profitability metric for REITs — was up slightly at 0.9%. H&R's net income decline in Q1 was mainly attributable to non-cash factors, including changes in fair value of assets. As we can see from the modest growth in FFO, operational results remain solid. H&R pays a dividend that yields 6% at current prices; it appears to be sustainable with a payout ratio of 75%.

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andrewbutton