Which of the 2 REITs Is a Better Buy for You?

Description

Between **RioCan REIT** (TSX:REI.UN) and **Tricon Capital Group** (TSX:TCN), which is a better real estate investment trust (REIT) for you to buy? It depends on what you intend to get out of your investment.

Let's compare the real estate stocks.

Portfolio

RioCan and Tricon's assets are markedly different.

RioCan is one of the biggest REITs in Canada with total assets of about $14 billion. It is focused on retail properties in key Canadian markets, and it generates about 87.5% of annualized revenues from six major markets, including 47.6% from Toronto.

Tricon is focused on rental housing in North America. About 91% of its assets are in the U.S. and about 9% are in Canada. And about 68% of its $9.7 billion of assets under management are principal investments and 32% are third-party investments.

Tricon's portfolio consists of about 19,000 single-family rental homes, 7,300 multi-family rental apartments and 3,000 rental apartments that are under development.

Income

RioCan's funds from operations payout ratio of about 78% is at the lowest level in about 20 years. So, its monthly cash distribution is as safe as ever! As of writing, the company offers a juicy yield of 5.5%.

Tricon's rental business targets the middle market, which has more stable rentership than the higher-end or lower-end markets. Additionally, the company earns fees from the assets it manages. Consequently, it expects to generate stable cash flow, which supports its conservative yield of about 2.75% as of writing.

Growth

RioCan has growth prospects from rent increases and the development of mixed-use properties in the key Canadian markets that it's already in.

Since entering the single-family rental sector in 2012, Tricon has increased its book value per share by 24% per year. The demand from millennials is expected to continue to drive growth in the U.S. rental housing sector.

There's a bigger group of millennials (versus baby boomers) in the U.S., and they have a higher tendency to rent versus homeownership. Specifically, millennials have a 35% homeownership rate versus 77% against baby boomers.

Moreover, Tricon largely concentrates its efforts in the Sun Belt region, where it's home to 40% of U.S. households and is estimated to experience 60% of the growth in U.S. households over the next decade.

Foolish takeaway

Investors may find that both RioCan and Tricon could be good fits for their portfolios since they're in different industries. RioCan will likely provide more income, while Tricon will likely provide more growth. Buying an equal amount in both stocks will lead to an average yield of about 4.1%, which beats the market's 2.8%.

CATEGORY

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TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:TCN (Tricon Residential Inc.)

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