3 Top REITs Yielding Over 5% to Buy Today

Description

Are you seeking to build a recurring, steadily growing, passive income stream while building wealth as rapidly as possible?

Then look no further than these three high-quality real estate investment trusts (REITs), which are paying regular distributions with annual yields exceeding 5% — three times more than the yield of 10-year Canadian government treasuries.

Leading industrial REIT

Dream Industrial REIT (TSX:DIR.UN) owns a portfolio of 244 light industrial properties across Canada and the U.S. with a combined 23.7 million square feet of gross leasable area. It has a solid balance sheet, as highlighted by its net debt-to-adjusted-assets ratio of 42.4%, and pays a regular monthly distribution with an annual yield of a juicy 5.8%. That very attractive yield is sustainable with its payout ratio being 82% of funds from operations (FFO) per unit on a diluted basis.

Dream Industrial ended the first quarter with a notable occupancy rate of 96.5% and an average weighted lease term of 4.1 years. Its top-10 tenants, which are responsible for 84.5% of gross rental revenue, include major corporations such as Nissan North America, TC Transcontinental, Accel, and Molson Breweries Properties.

Demand for light industrial properties and hence rents are expected to soar because of the rapidly growing uptake of e-commerce and online retailing, which is leading to the ever-greater need for distribution and logistics centres. That bodes well for ever-greater earnings growth, which will support the sustainability of its distribution as well as plans to develop existing properties and add to its portfolio through further acquisitions.

Outlook is improving for this REIT

Slate Office REIT (TSX:SOT.UN), earlier this year, slashed its monthly distribution by a whopping

47%, but it is still yielding a very generous 6.8%. The rational for taking a knife to the distribution was simple: it formed part of management's strategy to strengthen its balance sheet, preserve cash flow, and free up funds to be invested in developing its portfolio. The need to cut the distribution can be seen with it having a trailing 12-month payout ratio of adjusted funds from operations (AFFO) of 111% per diluted unit.

However, after accounting for the reduced distribution, that payout ratio should normalize at a very sustainable 62% of AFFO.

Slate Office is focused on strengthening its balance sheet by selling non-core or mature assets and then using the proceeds to reduce debt as well as bolster cash holdings. The REIT sold two Manitoba properties in June 2019 for $21.3 million and will direct that capital to debt reduction and funding its unit-repurchase program.

Management, as part of its strategy to deliver value for unitholders, initiated a unit-repurchase program, because it believes that Slate Office is trading at a deep discount to its market value. At the end of the first quarter 2019, Slate Office was determined to have a net asset value (NAV) of $8.49 per unit, which is $2.60 or 44% greater than its current price, highlighting that the market is failing to recognize the value of its assets.

Once Slate Office's turnaround strategy gains further traction and results demonstrate that it is unlocking value for investors, its units will soar in value, closing that valuation gap.

Top diversified REIT

Leading Canadian REIT **H&R Real Estate Investment Trust** (TSX:HR.UN) pays a regular monthly distribution, which yields a very appealing 5.9%. H&R is one of Canada's largest REITs and has a diversified portfolio or real estate assets across all major industry segments. Office properties make up 45% of its assets by value followed by retail at 29%, residential at 19%, and the remaining 7% are industrial properties.

H&R is working to minimize the impact of the risk attached to retail properties because of the rapid uptake of online shopping. It is doing this by selling non-core assets, including the sale of 63 U.S. retail properties in June 2018 and redeveloping other assets to increase their appeal.

While that juicy yield of almost 6% is a key attraction for investors, it is worth noting that H&R is trading at a 10% discount to its NAV, highlighting the potential for capital growth, making now the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:HR.UN (H&R Real Estate Investment Trust)
3. TSX:RPR.UN (Ravelin Properties REIT)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/23
Date Created
2019/07/10
Author
mattdsmith