



TFSA Investors: A Safe REIT With a Rapidly Growing Distribution

Description

REITs aren't usually known as ["dividend-growth"](#) plays. Their main attraction is their high upfront yields, and although immediately attractive to passive-income investors, many REITs lack the long-term growth potential to support payout raises that many dividend-growth investors have grown accustomed to in the world of equities.

Given that life expectancy is on the rise, even today's 60-something retirees need to have some consideration for growth over time, whether in the form of capital appreciation or [distribution growth](#). In a way, one trades upfront yield for distribution growth over time. While tempting to go for the highest upfront yielder, your income stream's growth could suffer over time, especially if you're not reinvesting a penny of your distributions.

That's why it's a good idea to take a look at "growthy" REITs like **Allied Properties REIT** ([TSX:AP.UN](#)), which have more in common than dividend-growth stocks than traditional high-yield REITs, despite being subject to the same growth-dampening requirements.

At the time of writing, Allied Properties has a 3.33% yield to go with 38% in capital gains over the last five years. Although REIT investors are usually in the asset class for safety and high yield, they shouldn't be afraid of what momentum REITs such as Allied Properties have to offer. The chart and yield make it look like a "riskier" equity, but it's not. Such momentum REITs are in a class of their own and can make a solid complement to other low-growth, high-yield REITs in an income portfolio.

More recently, Allied Properties has made some acquisitions in the Montreal property market with the 700 DLG and the RCA Building. The REIT plans to spruce up these newly acquired buildings by adding "Class I" attributes such as higher ceilings. Such initiatives will better allow the REIT to command higher rents and respectable AFFO growth that could support distribution hikes down the road.

Given Allied Properties has a pristine balance sheet, a strong management team, and exposure to one of the hottest real estate markets in Toronto, I see Allied Properties REIT as a wonderful growth injection for any long-term-focused REIT income fund.

Sure, the stock isn't cheap with P/B and P/CF numbers that are above five-year historical averages, but when you consider the synergies that the company can unlock from its transformation of acquired properties, I consider the name to be a premier AFFO-growth player in a traditionally slower-growth world of real estate.

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CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)

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