Retirees: Tap This Forever Asset and Get Dependable Income for Decades to Come

Description

Many retirees struggle with converting their savings into dependable income.

The options are seemingly endless. You can put your cash in everything from ultra-safe GICs and government bonds, but you'll pay a price for that stability since those kinds of investments offer anemic yields. Or you could go the other extreme and put capital into risky high-yield stocks — companies that could cut their payouts at any point.

The best solution, at least in this analyst's opinion, is to go somewhere in the middle of the risk/reward spectrum. There are plenty of rock-solid Canadian stocks offering dividend yields in the 5-6% range, backed by consistent earnings, decades of steady dividends, and the ownership of high-quality assets. Sure, the risk of a dividend cut still exists, but that can be diversified away so it becomes very manageable.

Let's take a look at one such stock — the kind of company you can count on to deliver consistent dividends for years to come.

Real estate … with a twist

RioCan Real Estate Investment Trust (TSX:REI.UN) has amassed an impressive array of retail real estate assets. Its current portfolio consists of 230 properties, with the vast majority of space located in Canada's six largest markets. Total leasable space is nearly 40 million square feet. This focus has helped increase the portfolio's occupancy to 97.1% in the most recent quarter, which is ahead of most of its peers.

A few years ago, RioCan embarked on a mission to focus its portfolio on Canada's largest markets, especially Toronto. It sold non-core assets in a flurry of activity, including the U.S. portfolio it picked up for a song in 2009 and various retail spaces in smaller centres across Canada. The company used these proceeds to secure its balance sheet, getting debt under control for its next step, which is an ambitious development program.

You see, RioCan is sitting on a lot of lower-density retail real estate in markets like Toronto, Ottawa, Calgary, and Edmonton that has significantly appreciated in value since it was purchased 15 or 20 years ago. The land underneath these properties is so valuable, RioCan can convert existing retail space into mixed-use space for less than it would cost other developers to convert the same land, since it paid so little for the land so long ago.

Some of these development projects are incredibly ambitious. The largest is The Well, which will feature a total of three million square feet of gross leasable space spread between office towers, retail space, a food market, and a total of 1,700 apartments and condos. Some 11,000 people will live and work on site once it's completed.

In total, RioCan figures it has the potential to add 14 million square feet of gross leasable space to the portfolio in Toronto alone. That doesn't include projects it has planned for other markets.

Get paid to wait

These development projects should add nicely to RioCan's bottom line over the next few years, as they start to come online. While investors wait for that to happen, they're treated to an attractive dividend.

RioCan shares currently pay investors a dividend of $0.12 per month, which works out to a 5.4% yield. RioCan hasn't missed a dividend since its IPO, so you don't have to worry about the stability of the payout.

In fact, I'd bet RioCan's dividend will start to march higher, as its new developments add to the bottom line. The company's payout ratio so far in 2019 has fallen to 77%. This gives it plenty of room to increase investor income over the long term.

The bottom line

If you're a bull on Toronto real estate, then an investment in RioCan is an absolute no-brainer. It delivers a nice dividend as well as gobs of growth potential. If you don't already own this company, which is widely regarded as one of Canada's finest REITs, now would be a great time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/05
Date Created
2019/08/30
Author
nelsonpsmith