2 REITs to Add to Your TFSA This Fall

Description

Earlier this year, I'd discussed why I trusted real estate investment trust (REITs) in 2019. These reliable income vehicles were especially attractive after central banks in the developed world had pulled back on rate tightening. Collapsing bond yields were also driving investors back into equities that provide dividends and stability.

The Canadian real estate sector has enjoyed a rebound in the spring and summer of this year. As we move into the fall, the broader market is looking balanced for the first time in over two years. This has inspired top banks like **Bank of Montreal** and **Royal Bank** to declare that the housing market is "back." Investors should feel secure investing in Canadian real estate in late 2019.

REITs provide investors with the benefits of real estate investment along with the convenience of a publicly traded stock. Real estate has bounced back in Canada, but it remains an expensive investment in most major metropolitan areas. Politicians are vowing to make housing more affordable in the future, but for now entry into real estate is a pricey proposition. REITs are a convenient alternative, and they also boast tasty income that can build tax-free wealth in a TFSA.

Today, I want to look at two REITs that can provide attractive tax-free income. Let's jump in.

RioCan REIT

RioCan REIT (TSX:REI.UN) is the second-largest REIT in Canada. Shares of RioCan have climbed 15% in 2019 as of close on October 2. RioCan released its second-quarter 2019 results on August 2.

Net income at RioCan rose to $253 million compared to $111 million in the prior year, and net income in the year-to-date period was $447.5 million over $248.6 million in the first six months of 2018. It reported that 87.8% of its revenue was now derived from major Canadian markets — a strategic shift that it has pushed over the last several years. The percentage of annualized rental revenue rose to 48.6% in the Greater Toronto Area — an increase of 100 basis points from the prior year.

The stock offers a monthly dividend of $0.12 per share, which represents an attractive 5.4% yield.

H&R REIT

H&R REIT (TSX:HR.UN) is the third-largest REIT operating in Canada. Its stock has increased 16% in 2019 so far. Shares have averaged annual returns of 10% over the past decade. This is a great boon when we take its nice yield into account.

In the second quarter, H&R REIT saw its committed occupancy in the retail segment rise to 93.2% compared to 92% at the end of the first quarter. It also acquired a 314-unit residential rental property in Orlando, Florida for $74.7 million. H&R has moved forward with $1.7 billion in asset sales over the past 18 months. It expects funds from operations (FFO) to pick up to growth by the final quarter of this fiscal year.

The company last announced a monthly dividend of $0.115 per share, representing a tasty 6% yield.

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aocallaghan