



2 High Dividend Paying REITs to Buy Now

Description

Real Estate Investment Trusts (REITs) have become an important vehicle through which to diversify investments. This sector has largely benefited from low interest rates as well as increased volatility in the stock market over the last 15 months.

We know that REITs need to pay over 90% of their net income to shareholders as dividends. This payout also serves as a tax shield, which means that several REITs have high dividend yields.

Generally, REITs are valued at a premium to their net asset value (NAV). In such cases, capital gains are lower compared to stocks and the REIT unitholder needs to contend with just a steady stream of dividend payments. Here, we look at two REITs with dividend yields as well as solid upside potential.

Brookfield Property Partners

Brookfield Property Partners ([TSX:BPY.UN](#))(NASDAQ:BPY) is a globally diversified REIT. It owns and operates several properties across the retail, hospitality, student housing, and industrial verticals.

It has a diversified portfolio, but the U.S. accounts for 68% of sales. The other top geographies for Brookfield are Europe, Canada, Australia, South Korea and India that together account for 13%, 7.6%, 3.3%, 2.9%, and 3.4%, respectively, of sales in 2019.

In the second quarter, Brookfield increased its net operating income by 24%, while funds from operation (FFO) rose by an impressive 36%. Further, the REIT has a dividend yield of 6.9% and a payout ratio of 96.3%.

Brookfield ended the second quarter with a cash balance of \$1.75 billion and operating cash flow of \$2.04 billion. Its debt stands at \$57.3 billion.

Although Brookfield has lost over 2% in market value in the last 12 months, this REIT has made a strong comeback in 2019 and has gained 11% year-to-date. Analysts have a 12-month price target of \$22.81 (USD), which is 19.4% above its current trading price.

Artis Real Estate Investment Trust

Artis Real Estate Investment Trust ([TSX:AX.UN](#)) is a closed-end REIT. It aims to provide stable monthly cash distributions to unitholders as well as focus on long-term appreciation of its portfolio.

It generates 58.5% of sales from Canada and the rest from U.S. Artis has over 250 commercial properties totaling 26.2 million square feet.

In the second quarter of 2019, Artis had an occupancy rate of close to 95%, while its net operating income rose 1.6% year over year.

Artis has a dividend yield of 4.3% and a payout ratio of 195%. Artis ended the second quarter with a cash balance of \$94.6 million and operating cash flow of \$225 million. Its debt stands at \$2.84 million.

According to Fool Contributor Matt Smith, the REIT is trading at a discount of 22% to its NAV and has significant upside potential despite its 36% gain in 2019. Analysts have a 12-month price target of \$13.15, which is 5.2% above its current trading price.

We've seen that REIT's are a good way to diversify your portfolio into an entirely different asset class. In addition to the above-mentioned REITs, investors can also look to invest in the **Vanguard FTSE Canadian Capped REIT Index ETF** with a yield of 3.2% or in the **iShares S&P/TSX Capped REIT Index ETF** with a yield of 4%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:VXC (Vanguard FTSE Global All Cap ex Canada Index ETF)

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