2 Defensive High Yield REITs for Your Income Portfolio

Description

Finding stocks that pay a decent yield is not too terribly challenging at the moment. The challenge investors do run into, however, is two-fold. The first major issue is determining whether these stocks will continue to pay these yields in the future. The second is whether these high yields indicate low, or even negative, capital returns going forward.

When buying high-yield stocks you have to be extremely wary of both these risks. A cut to the payout destroys the income you were hoping to gain, and falling share prices destroy the wealth you invested to get the yield. Either way, you have to be very careful before buying high-yield stocks for the income alone.

Real estate investment trusts (REITs) have traditionally been a great way to generate income. For years, many of these high-yielding companies have pumped cash into investors' pockets. After searching through these stocks, two high-yield generators of over 6% came to light.

If you need income and want to invest in Canadian real estate, these could be the investments for you.

A healthy choice

Health care is essentially a consumer staple, since we all need it for everything from bumps and bruises to serious medical conditions. With its globally diversified portfolio of hospitals, medical laboratories, and clinics, **Northwest Health Properties Real Estate Investment Trust** (TSX:NWH.UN) is a stable way to invest in real estate.

This REIT has a very stable tenant base and a more than 97% occupancy rate. The REIT has a distribution of 6.23% at the current unit price. The distribution is supported by a strong financial performance that is confirmed by Northwest Health's 28.6% compound annual growth rate of its book value since its IPO almost 10 years ago.

Bet big on offices

Another REIT with a big yield is **Slate Office REIT** (TSX:SOT.UN). With a distribution yield of 6.75%, this company will definitely put dollars in your pocket. Slate focuses solely on office buildings across Canada, although most of its buildings are situated in the Greater Toronto Area.

Slate is a bit riskier than Northwest Health for a couple of reasons. First of all, if you fear a recession these properties may be hit harder if businesses start to contract and there is less demand for offices. It's Canadian focus also makes it more vulnerable to a downturn in the country.

Nevertheless, the people at Slate are self-proclaimed value investors, so a downturn in the real estate market may be a long-term buying opportunity.

The Foolish takeaway

Northwest Health and Slate offer pretty attractive yields if you are looking to add income to your stock portfolio. Getting more than a 6% yield from your investments is going to add some oomph to your monthly spending.

While they do look to be fairly secure, I am a little more concerned with Slate due to its Canadian, particularly Ontarian, focus. But the fact they are a value-focused firm mitigates this fear somewhat as they may actually benefit from an economic downturn if they manage to pick up lower-priced properties.

I like the specialized nature of both REITs. With exposure to the very stable health care sector and the lucrative office business, you can be reasonably certain that the income will be fairly secure. I have not yet pulled the trigger on either of these companies, but if I were solely focused on income, I would certainly give these REITs a try.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
2. TSX:RPR.UN (Ravelin Properties REIT)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2019/11/20
Author
krisknutson