



Buy Alert: Lock In This 7.5% Dividend Yield by December 31

Description

You shouldn't expect many sharp moves in a real estate investment trust with a low beta of 0.4. **Inovalis REIT** ([TSX:INO.UN](#)) typically sports a yield that's north of the 8% mark, but the yield recently shrunk to 7.5% due to a substantial amount of capital appreciation that's occurred over the past year.

Inovalis is up a staggering 20% year to date. If you picked up shares [as I suggested](#) when the name had an 8.2% yield, you'd still be collecting 8.2% per year off your invested principal, and you'd be up considerably on a name that's been fluctuating in a narrow consolidation channel over the past six years.

Despite sporting a now slightly lower yield, Inovalis is still [a rare breed](#), a super-high-yielding security with a stock that's at all-time highs.

What happened?

Not only has the overall appetite for bond proxies gone up over the past year, but Inovalis continues to deliver exceptional results.

For the third quarter, Inovalis clocked in \$0.23 per unit in funds from operations (FFOs) for the third quarter and \$0.21 per unit in adjusted funds from operations (AFFOs). AFFO payout ratios improved on a quarter-over-quarter basis from 98.6% to 97.3%, with FFO payout ratios improving from 101.4% to 88%. The third-quarter results served as further rally fuel for the name that remains mostly under the radar of most investors.

The slight AFFO and FFO payout ratio reductions for the quarter were encouraging and are a sign that the distribution is not only safe but subject to further growth at some point over the next three years.

Now, if you've got a 7.5% yield, one would think you'd be more concerned about the sustainability of the payout, and not the potential for further payout hikes.

Since Inovalis is a small-cap REIT with a mere \$263 million market cap, the firm has enough agility to

grow its distribution at a quicker rate than most behemoths that have substantially lower yields.

Management is looking to build upon its already impressive portfolio of urban office properties located across France and Germany. And as its AFFOs grow, so too will the distribution and shares of the name.

The third quarter was solid, but it didn't break analyst expectations because the name isn't covered by a big-name sell-side analyst on Bay Street!

If it were, I suspect analysts would be raising the price target and pounding the table on a REIT that could one day grow to become a household name for risk-averse income investors. When that time comes, don't expect Inovalis to have such a massive yield, though, as potential share price appreciation could drag the yield down.

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