



TFSA Investors: This 5.6% Yielder Pays Cash Every Month

Description

Soon-to-be Canadian retirees are obsessed with stuffing their portfolios with [monthly paying dividend stocks](#), and it's easy to see why.

All your bills come monthly, which makes receiving quarterly dividends kind of a pain. Sure, it's possible to budget, but many folks just don't want to bother. They'd rather have the easy option.

The good news is there are dozens of fine TSX stocks that pay generous and sustainable monthly dividends. Let's take a closer look at one in particular that also has some decent upside potential as well.

And remember, if you put it inside your TFSA then you'll enjoy tax-free dividends for potentially decades to come.

Safe real estate

Crombie REIT ([TSX:CRR.UN](#)) was officially spun out of **Empire Company** back in 2006. Empire retained a 41.5% ownership stake in the real estate investment trust, while Crombie was free to pursue other opportunities besides owning Sobeys-anchored real estate.

These days, the portfolio has grown to 284 properties spanning some 17.8 million square feet worth of space. Yes, Sobeys (and Safeway) stores are still the company's major tenants, making up about 55% of total rents, but this isn't such a bad thing. Supermarkets are steady businesses that don't close very often. And they're perfectly situated to take advantage of online grocery orders when they inevitably arrive in a big way.

Don't let the [naysayers fool you](#); grocery real estate in Canada will continue to be a safe place to invest.

Expansion plans

One thing investors in Crombie should be excited about is the REIT's growth plans. It has two different growth avenues, which together should help the company grow the bottom line by 3% to 5% a year.

Let's start with the redevelopment program. Crombie has identified certain properties in large cities like Vancouver and Montreal that are sitting on some very valuable land. These locations will be redeveloped into mixed-use property at a much lower cost than another builder could do because the land was bought so many years ago and at a much cheaper price.

The company's Davie Street project in Vancouver is a great example. By the time it's finished in 2020, the new development will have some 330 apartments with a Safeway store on the ground level. It will create between \$65 and \$80 million in value and add some \$5 to \$6 million in annual income.

In total, Crombie has identified 33 different redevelopment opportunities, with an emphasis on Vancouver, Toronto, Montreal, Calgary, and Edmonton. These will cost between \$4 billion and \$5.8 billion, but add significantly to the bottom line.

Crombie's other growth avenue is acquiring stores from Empire. This happens every few years like clockwork, and these acquisitions have generally worked out pretty well for both companies.

Excellent total return

Many investors would avoid an investment in Crombie because leasing real estate back to grocery stores isn't a very exciting business.

But long-term returns have been pretty solid. Including reinvested dividends, Crombie shares have delivered a 10.06% annual return over the last 12 years. That's enough to turn a \$10,000 initial investment into something worth \$31,606 today.

Crombie shares have done pretty well lately, so some investors might doubt the stock will return 10% annually going forward. But Crombie doesn't need to do that to be an acceptable investment. The dividend alone should be enough to entice long-term investors.

The current payout is \$0.07417 per share monthly, which works out to a 5.6% yield. With a payout ratio of approximately 80% of adjusted funds from operations, investors don't have to worry about the stability of the dividend. It's secure.

The bottom line

Crombie's existing assets should continue to gush predictable cash flow, which means the dividend is rock solid. The development program and future buys from Empire should ensure a reasonable amount of growth going forward. These two factors alone should be enough for Crombie to earn a permanent spot in your portfolio. I know I don't plan to sell my shares anytime soon.

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2. Investing

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1. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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Date

2025/09/09

Date Created

2019/11/30

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