Is This REIT With a Massive 12% Yield a Buy?

Description

A Canada-based real estate investment trust (REIT) centred on American hotels, **American Hotel Income Properties REIT** (TSX:HOT.UN) is a play not only on premium brands but also the rail industry. With the former segment drawing key revenue from big names in the hotel industry, such as Marriott and Hilton, the latter segment sees the trust glean profit from rail crew lodging and adding diversification.

An incredibly rich 12% yield makes this top-tier REIT worth adding to your buy-and-hold, passive-income portfolio. Headquartered in Vancouver, American Hotel Income Properties is a fairly defensive play, which mitigates the cyclical nature of U.S. hotels with the year-round revenue of budget rail worker accommodation. AHIPREIT can also be thought of as a complementary play with **CAPREIT**.

Stability also comes in the form of long-term rail lodging contracts, key rail accommodation acquisitions, and other positive developments, such as re-branding, brand licensing agreements, and strategic credit agreements. For the long-term investor, expertise in asset management is a strong buying point when to comes to REITs, and American Hotel Income Properties REIT is reassuringly capable.

As a speculative play for stock buyers with a little more appetite for risk, American Hotel Income Properties REIT can offer a high return on investment over a relatively short amount of time. While its dividend isn't viewed as being as stable as other REITs, perhaps, such as the classically safe Canadian Apartments REIT, the low-exposure income from rail crew accommodation adds some defensive backbone.

In terms of share price, American Hotel Income Properties REIT isn't one for the general capital gains investor, having come out flat for the past 12-month period. However, this does at least indicate a stock with below-average volatility, confirmed by a market-weight 36-month beta. In terms of value, the fundamentals investor will further note that the popular hotel REIT trades on a par with its book price.

The long-range, lower-risk alternatives

For a technically lower-risk play in terms of dividend coverage, at least, investors can plump for **Brookfield Property**. Its yield is lower than American Hotel Income Properties REIT's but still suitably rich at 7.2%, and it's fundamentally better value with a P/B ratio of 0.6 times book.

Another way to cover all bases in terms of defence and income is to snap up Canadian Apartment REIT. Also known as CAPREIT, this trust plays a lower yield at 2.6% but adds reassuring backbone to a stock portfolio built on passive income through its access to high-end urban rental properties. The classic "lazy landlord" play, CAPREIT is a popular choice for investors seeking protection from a downturn.

The bottom line

Looking for the best REITs on the TSX? American Hotel Income Properties REIT has you covered. There are other options available for the strictly defensive real estate investor in the form of classic Canadian real estate trust CAPREIT. However, for a mix of hotel income and rail exposure, American Hotel Income Properties REIT offers a unique route to diversification and high yield.

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