Top 3 High-Yielding REITs on the TSX

Description

There are a large number of REITs on the TSX, giving investors plenty of choice as to where they want to invest.

You can choose large caps or small caps; you can choose residential, retail or industrial or more; but one of the biggest choices you need to make is whether you would rather have a REIT that will generate more income for its investors or growth in its share price.

Each choice has its own advantages that investors can decide on based on their own personal preference.

If you are the type of investor that would prefer a higher dividend and less-capital appreciation potential, these are three of the best high-yielding dividend REITs, with yields above 6.3%.

H&R REIT

H&R Real Estate Investment Trust (TSX:HR.UN) is a massive $6.2 billion fund with office, retail, industrial and residential properties totaling over 40 million square feet.

The company is diversified well both in terms of the segments of the real estate industry it operates in as well as by region in North America.

The largest segment of its assets, the office segment, accounts for 43% of its portfolio's fair value compared to retail and residential at 30% and 20%, respectively.

Regionally, 40% of the company's assets are located in the United States, with 28% in Ontario and 23% in Alberta.

The fund also has a number of high-quality development projects, which look like they could accelerate the growth of its business considerably.

Its average remaining lease term is nearly 10 years in length and it's well capitalized, so basically every risk imaginable has been minimized by the company.

H&R pays a dividend that yields roughly 6.3% today — pretty attractive for such a high-quality company and the largest and most well-established REIT on this list.

Northwest Healthcare Properties

Northwest Health Care Properties REIT (TSX:NWH.UN) is a real estate fund that owns medical properties around the globe. The company has assets in North America, Brazil, Australia, New Zealand and Germany.

The healthcare industry is split up into two major segments: the care segment, which include facilities such as retirement homes, and the cure segment, which includes places such as hospitals.

Northwest's portfolio focuses on the cure side of the healthcare industry, owning a portfolio of hospitals, medical office buildings, and life sciences businesses.

The company is extremely well positioned for the long term, with a 97% portfolio occupancy and more than 14-year weighted average lease expiry rate, giving the company major cash flow stability.

The stability in its cash flows make its dividend, which yields roughly 6.5%, that much more sustainable and allows Northwest to focus on looking for new areas of growth.

True North Commercial

True North Commercial REIT (TSX:TNT.UN) owns a portfolio of 49 commercial properties in five provinces across Canada. The majority of the portfolio is located in Ontario, with more than 40% being located in the GTA alone.

Its portfolio is diversified, has a high occupancy rate of 97%, and derives more than three-quarters of its revenue from government or credit-rated clients.

Adjusted funds from operations (AFFO) continue to grow exceptionally for True North, as the company earned $31.6 million for 2018 and has reported AFFO of $27.3 million as of the end of the third quarter in 2019. This puts True North on a run rate to do roughly $36.4 million in AFFO this year, which would be growth of more than 15%.

The company is in a strong and stable financial position, with an interest coverage ratio of approximately three times and a debt-to-equity ratio of just 1.2 times.

The stock is up more than 20% in the last three years — a pretty attractive gain, especially when you consider that doesn't include its massive dividend yield, which is also returning cash to investors.

The dividend yields approximately 7.9% for investors looking to gain exposure today and has a payout ratio just below 90%, so the dividend looks pretty stable from here.

Bottom line

Although growth REITs can also be a great way to invest in the real estate sector, having cash returned to you is always a bonus. These three companies are the best in the real estate industry at returning cash to shareholders.

CATEGORY

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TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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