



## Make \$1,000 in 2020 With Only \$9,000 Invested in This Stock

### Description

REITs are famous for high-yielding dividends. But many investors shy away from unusually high yields, fearing they might be hiding some kind of weakness in the company's balance sheet or fundamentals.

Such a yield can be the result of a poor performing stock and the company's determination to keep up its dividend streak. As a potential investor, you must be careful when investing in suspiciously high-yield stocks.

Is this the case with dividend monster **American Hotel Income Properties REIT** ([TSX:HOT.UN](#))? The company's stock hasn't done so well for the past five years, but things have been relatively steady since the start of 2019. Let's look closer.

### The company

American Hotel REIT owns 79 select-service hotel properties in the secondary U.S. markets as well as some local properties. Select-service hotels lie somewhere between full-service (that provide all the services you might expect at a hotel) and limited-service hotels (that usually only provide room and board). The business model rose to popularity because select-service meant relatively less expensive hoteling.

According to a statistic, select-service hotels tend to exhibit better operating margins than full-service hotels. That might [not be the case for](#) American Hotel REIT now, because, in the last quarter, the company posted quarterly earnings loss (year to year) of almost 50%.

But this might be about to change. In the past few years, the company has made some extensive changes. In November 2019, the company sold a portfolio of 45 budget hotels and, in December, and acquired 12 premium brand hotels instead. This move, coupled with many more like this in the past few years, shows the company's business model evolution.

## The stock and the yield

The company is trading at \$7.2 per share at the time of writing this. It traced a relatively flat line in 2019 and, at its lowest, the stock dipped to \$6.4 per share. Even if the company's outlook for market value doesn't look too bright, the market value has started to rise, though very slowly and gradually. A very high price-to-earnings ratio can be taken as investor confidence as well as the fact that the stock is very over-valued.

Now the best thing about the American Hotel REIT: its dividend yield. The company has been rewarding its investors with a generous double-digit dividend yield, a [highly lucrative](#) 11.7%. This means that with an investment of just \$9,000, you could be getting a decent sum of \$1,000 by the end of 2020.

The company has maintained a monthly payout of \$0.54 per share since mid-2016. The payout ratio is currently unstable, but the management has a positive outlook for 2020.

## Foolish takeaway

The business of hotels is one of the most recession-prone businesses. But it tends to boom in times of economic stability and prosperity. If the US economy stabilizes after a turbulent 2020, the chances are that American Hotel REIT will start giving some more good news to its investors, in addition to its generous payouts.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)

### PARTNER-FEEDS

1. Business Insider
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