



## Passive Income Lovers: Lock in a 9.6% Yield on RioCan REIT (TSX:REI.UN) Today

### Description

One of the most shocking things about this market selloff is how much [high-quality REITs](#) — like **RioCan REIT** ([TSX:REI.UN](#)) — have been impacted by the downturn.

Yes, I'm the first to admit that scores of tenants asking for rent deferrals isn't a good thing. All REITs are dependent on a steady flow of cash coming in the door to pay mortgages.

Without access to the credit markets, a REIT cannot expand. They also have to constantly refinance existing debt, something that will obviously be more difficult if the credit market seizes up.

But at the same time, I'm an optimist. I believe a company like RioCan will be treated mercifully by its lenders. If hundreds of tenants fall behind on rent, bankers will relax mortgage payments.

In other words, the company's long-term financial partners will realize this is a short-term issue and act accordingly. If all goes to plan, everything is back to normal in just a few months.

This optimism is why I think RioCan is a [screaming buy](#) today. Here's why I'm adding this stock to my portfolio. Perhaps you should do the same.

### A great portfolio

Led by CEO Ed Sonshine, RioCan has been pursuing a smart portfolio strategy. It has been selling off non-core assets to focus on Canada's six biggest cities. Almost every square inch of the company's 220 property and 38.4 million square foot portfolio is located in Vancouver, Calgary, Edmonton, Ottawa, Toronto, or Montreal. The company has a particular focus on Toronto, with more than 50% of assets located in the Greater Toronto Area.

Many investors are focusing on the weaknesses in RioCan's portfolio, including the fact that **Cineplex** is one of the company's top tenants. Restaurants also make up a big portion of the company's total revenue, and various other non-essential business also contribute.

But most developments are anchored by grocery stores, businesses that are booming right now. And tenants in good locations won't want to abandon these spots.

Remember, RioCan got its start in Toronto, and is sitting on numerous properties there that are ripe for redevelopment. The biggest project, The Well, is a mixed-use building in downtown Toronto that will feature 1.1 million square feet of new office towers, retail space on the bottom, and a 15-story residential condo tower that is already sold.

The Well is just one of dozens of mixed-use projects RioCan has planned over the next decade or so. In fact, on the residential side of the portfolio alone, the company plans to develop some 20,000 units.

Funding this long-term value creation program shouldn't be an issue, either. RioCan will take on partners for many projects, and it has a solid balance sheet.

And if rent deferrals get to be too excessive, it can always pause development for a little while. Additionally, the company owns many of its buildings free and clear, properties that can be financed if the economy gets too tough.

## Get paid to wait

One of the best parts of a potential RioCan investment today is the company's succulent dividend. The yield is currently a robust 9.6%, an excellent payout for passive income lovers.

Yes, there is a chance the company slashes the dividend, especially if this coronavirus-related economic shutdown lasts months longer than expected. But if you're looking for stability in the sector, RioCan is one of your best bets. In other words, it'll likely be one of the last REITs to slash its dividend.

In fact, there's potential for the dividend to go up over time as the company's various development projects add to the bottom line.

## The final word on RioCan

RioCan is an excellent stock that has almost been cut in half by something completely outside of its control. If you're an optimist, today is a fantastic buying opportunity — oh, and you'll lock in one of the best yields out there.

I've been adding to my position recently. Perhaps you should too.

### CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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