TFSA Investors: This 14% TSX Dividend Stock Is a No-Brainer Buy

Description

H&R REIT (TSX:HR.UN) is a top **TSX** dividend stock to buy now in your TFSA for tax-free high income forever!

There are several key reasons why it's a no-brainer buy. First, the real estate investment trust (REIT) is very cheap. Second, the diversified REIT's business may be more resilient than you think. Third, it offers a hefty passive income.

This TSX dividend stock is on sale!

You want to buy TSX dividend stocks when they're cheap so that you get a boosted yield, and your long-term investment risk is significantly lower.

At writing, H&R REIT trades at $9.65 per share, which is about 5.5 times its funds from operations. The stock's long-term normal valuation indicates a fair valuation of about 12 times. Therefore, the stock is more than 50% off and is obviously on sale.

Even if the company doesn't grow, the perpetual cash flow that it generates and perpetual cash distributions that it pays out are definitely worth way more than a multiple of 5.5.

When the economy returns to normal, the TSX dividend stock can climb to north of $21 for 120% upside to double your money.

H&R REIT is more resilient than meets the eye

The TSX dividend stock has fallen 56% from as high as $22 in 2019. This stock price action misleads investors.

The diversified REIT has exposure to retail properties, which are unsurprisingly its worst-performing assets amidst the world's fight against COVID-19. For April, it only collected 56% of rents from retail tenancies.

However, it's essential to point out that the TSX dividend stock's other assets — office, multi-residential, and industrial — have been much more resilient. It will be collecting rents of 99.5%, 94.5%, and 91.9%, respectively, from these tenancies by the end of the month.

In total, H&R REIT's April rent collection is 83%. The stock has fallen far too much for a 17% reduction in rent.

Moreover, because H&R REIT is conservatively run, it was able to increase its liquidity recently. Specifically, it acquired a $425-million credit facility and an 8.5-year $100 million mortgage secured by a property that had no financial liability previously. H&R REIT still has 89 properties with no financial liability that are worth about $3.8 billion in aggregate.

The TSX dividend stock offers big passive income

The stock yields about 14.2%. The 17% reduction in rent suggests a near-term payout ratio of close to 95%. Let's say the COVID-19 situation worsens, and the stock's rent collection further reduces.

The TSX dividend stock may be forced to cut its cash distribution by 30% (or 50% to be more prudent). If that were the case, buyers today would still get an effective yield of 7.1% to 9.9%, which is already the average market returns.

Notably, I expect that if H&R REIT were to cut its dividend, it would eventually restore it to the pre-cut levels when economic conditions improve.

The Foolish takeaway

To summarize, investors can invest in top TSX dividend stock H&R REIT today and get a +7% yield while waiting for price appreciation to double their investment.

As a result, H&R REIT is a no-brainer TSX dividend stock buy. Investors can pretty much lock in a high yield in their TFSA, never sell the stock, and receive big tax-free passive income for a long, long time.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/22
Date Created
2020/04/28
Author
kayng