



Lazy Landlords: 3 Safe Real Estate Stocks With Dividend Yields Up to 5.2%

Description

With so many top Canadian REITs telling investors the next few months will be uncertain, Canadian investors are looking for something a little more secure. They want safe real estate stocks.

This is easier said than done, of course. Most real estate stocks looked pretty solid up until a couple months ago. Now, many provinces aren't really sure when they'll let important tenants like movie theatres, gyms, or various retail shops open. We could be looking at months of uncertainty for this beleaguered sector.

If you're worried about risky commercial landlords, perhaps it's time to check out some safer real estate. Residential apartments are poised to weather this storm much better than most commercial space. After all, folks still need a place to live.

Let's take a closer look at three safe residential real estate stocks, all solid operators that also offer interesting yields.

European Residential REIT

One small cap safe real estate stock you may not be familiar with is **European Residential REIT** (TSXV:ERE.UN), which owns an [interesting portfolio of apartments](#) in The Netherlands. As it stands today, the portfolio consists of more than 5,600 suites spread across several major cities. The company also owns a smattering of office buildings in neighbouring Belgium and Germany.

The Netherlands is an attractive market for a few reasons. First, the local economy was strong — at least until COVID-19 threw everything for a loop, anyway. The nation should continue to experience solid growth once the world returns to normal.

Low European interest rates translate into attractive financing costs. There's also significant potential for the company to acquire more apartments.

This low-priced stock pays a dividend of just over \$0.01 per share each month, a payout that translates

into a 4.1% yield. And with the company reporting strong rent payments so far, the payout should be safe.

Morguard Residential REIT

Morguard North American Residential REIT ([TSX:MRG.UN](#)) has sold off significantly over the last few months and sShares are down close to 40%.

The company owns 42 different apartment complexes across Canada and the United States totalling more than 13,000 different units. It has grown significantly since its 2012 IPO, and there's always potential to acquire more apartments. There are millions in North America alone, and today's economic uncertainty may lead to some future deals.

Morguard is Canada's cheapest apartment REIT on a couple of different metrics. It trades at approximately 10 times trailing funds from operations. Most other apartment REITs are in the 15-20 times earnings range, with shares trading at approximately 40% of book value.

Perhaps the best part of a Morguard Residential investment is this safe real estate stock's yield. The payout is 5.2% and the payout ratio is barely over 50% of last year's earnings. The distribution is solid.

BSR REIT

BSR REIT ([TSX:HOM.U](#)) owns apartments in various cities in the southern United States, with the portfolio spread over states like Texas, Oklahoma, and Arkansas. It focuses on garden style apartments and owns approximately 9,000 units.

One of the more interesting things about this safe real estate stock is the high degree of insider ownership. Led by CEO John Bailey, insiders own approximately half of the company. There's a reason why investors like to see lots of insider ownership: it ensures management's incentives are well aligned with their own.

BSR has reported preliminary results for both April and May, telling investors that rent collection has been strong. While May was a little weaker than April, that's to be expected.

The company also has a healthy cash position after selling some non-core assets — something that should help the company get through this current [uncertain environment](#). That's also good news for the dividend, which has popped up to 5% yield after shares have sold off recently.

The bottom line on these safe real estate stocks

If you're looking for safe real estate dividends, look no further than solid apartment stocks like European Residential REIT, Morguard North American Residential REIT, and BSR REIT.

These companies have what it takes to make it through today's uncertain economy unscathed.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ERE.UN (European Residential Real Estate Investment Trust)
2. TSX:HOM.U (BSR Real Estate Investment Trust)
3. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

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Date

2025/07/21

Date Created

2020/05/15

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