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2 TSX REITs Yielding Up to 8.3% for Your TFSA

Description

Residential landlords are one of the more attractive investments for your Tax-Free Savings Account (TFSA) right now. Several REITs have lost considerable market value in the recent sell-off making them a winning bet for income and contrarian investors. The TFSA contribution limit for 2020 stands at $6,000, while the total contribution room for your account is $69,500.

It's going to take quite some time for the economy to get back to business as usual, and you want to make sure you're investing in businesses that won't stop in the face of COVID-19. A home is the last thing that people would want to be without in these times, which is why it makes sense to look at strong players in this sector.

A residential giant for your TFSA

Killam Apartment REIT (TSX:KMP) is one of the biggest landlords in Canada's residential space, with a $3.4 billion portfolio consisting of apartments and manufactured home communities (MHCs).

The company reported strong numbers for the first quarter of 2020 with a net income of $38.5 million, an increase of $11.4 million compared to $27.1 million in the prior-year period. Apartment occupancy was higher at 97.2% compared to 97.1% in 2019. The company also reported a 3.4% increase in the weighted average same property rental rate.

Killam's rent collection ratio is solid as the company collected 96.9% of April rents as of May 6, 2020. Apartments show a 98.6% collection, while figures for MHCs and commercials are 97.7% and 72%, respectively.

The apartment business accounted for 90.4% of Killam's first-quarter net income. On March 31, 2020, the company's apartment portfolio consisted of 16,547 units. MHCs, which include land-lease communities or trailer parks, account for 4.5% of Killam's net operating income (NOI), while the 726,000 square feet of commercial space accounts for 5.1% of the company's NOI.

Killam completed $70.4 million of acquisitions in the March quarter, adding 222 apartment units and 89

MHCs to its portfolio. The company has slowed down its investing activity as of now and in all possibility, there will be a reduction in its capex spend that was initially budgeted between $70 million and $75 million.

The stock is trading at $16.85 and analysts expect it to touch $20.81 in the next 12-months. Combine that with the 4% forward dividend and you can see why the stock is attractive.

A rapidly growing healthcare REIT

NorthWest Healthcare Properties Real Estate Investment Trust (TSX:NWH.UN) has an international healthcare real estate infrastructure portfolio of 182 properties and 15.2 million square feet of gross leasable area in Canada, Brazil, Europe, Australia, and New Zealand.

The REIT has a very strong defensive portfolio (97.3% occupied) of medical office buildings, clinics, and hospitals. As the economy starts to open, medical procedures other than those for COVID-19 will boom as pent-up surgeries and electives will take priority.

Northwest reported its numbers for the first quarter of 2020 and revenue was up 3.8% to $96 million. The REIT has $220 million in cash and credit capacity, and this number will rise to $364 million in the June quarter after completion of its asset sales.

The stock is trading at 25% lower than its 52-week high and sports a forward dividend yield of 8.3%. It's a good buy for income and growth investors and an investment that provides ample diversification.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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