$10,000 Invested in This 9.94% Dividend Stock Will Yield You $994/Year

Description

RioCan REIT (TSX:REI.UN) recently released its third-quarter earnings report for the 2020 income year, sending the real estate investment trust's (REIT) valuation surging almost 3%. The stock has since declined, but its earnings report beat estimations. The REIT maintained its monthly $0.12 dividend payouts.

Despite fears that the REIT could see a decline in its payouts, RioCan continues paying its shareholders the same amount. The earnings report beating expectations is a sign of a positive trend that we can see in the economy, despite increasing COVID-19 cases.

Is it a sign of recovery?

RioCan took a beating due to the onset of COVID-19, like the broader economy. It will still take time for the stock to recover to its pre-pandemic valuation since its finances are still lower than last year. However, there are hopeful signs that show the possibility of recovery for the REIT.

RioCan's overall rent collection improved from 73.3% to 93.4% from the previous quarter, showing a massive jump in revenue for the company. RioCan also set aside $14.4 million in provision for rent abatements and bad debts compared to $19.9 million in Q2, 2020.

The company did lose 0.9% of its total rent income, as its occupancy rate fell from 97.2% in the last quarter to 96.4% in this quarter. This resulted from non-essential retailers like Globo Shoes and Moores closing down some or all of their locations. However, the company managed to offset some of the rental loss through new leases signed at 9.2% higher rents.

These factors led to RioCan reporting $117.6 million in net profits and funds from operation of $128.8 million in Q3 2020.

Investing to earn massive dividends

The REIT's valuation at writing is $14.49 per share. At its current price, RioCan is paying its unitholders at a juicy 9.94% dividend yield. Normally, such a high dividend yield is quite alarming. However, the REIT's third-quarter results show that it has the kind of cash flow to fund its high dividend yields.

RioCan is also currently trading for a more than 47% discount from its pre-pandemic valuation. Investing in the stock can help you leverage its juicy dividend yield to earn passive monthly income and capitalize on its recovery in the long run.

Investing $10,000 in the stock can earn you $994 per year in dividends alone. You can use the dividends to unlock the power of compounding and generate more passive income.

Foolish takeaway

Investing in high-yield dividend stocks always seems like a more attractive option to consider compared to holding your wealth in cash. However, investing in high-yield dividend stocks also exposes your invested capital to risk. In case the situation takes a turn for the worse and RioCan reports losses, its valuation could go down. Additionally, a weak balance sheet could see the REIT slash its dividends.

Investing in high-yield dividend stocks can be an excellent way to earn passive income. However, it is important to diversify your portfolio to reduce the possible losses if the high-yield stocks falter and decide to cut dividends.

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