



Beef Up Your Portfolio's Yield With This Top TSX REIT

Description

Unlike several other sectors, Canada's housing market showed no signs of slowing during the pandemic. Indeed, the housing segment shown resilience in providing continued, sustained growth. House prices in key Canadian cities are near record highs, and the mortgage market is sizzling.

Rising real asset prices are one thing and are generally bullish for real estate investment trusts (REITs). Knowing that the underlying assets REITs hold are appreciating in value is a good thing.

However, the major concern the pandemic brought about, particularly for [residential REITs](#) such as **Canadian Apartment Properties REIT (TSX:CAR.UN)**, was the potential for delinquencies on rent payments. Cash flow is extremely important to REITs, as these trusts pay out a very high percentage of their cash flows in distributions to shareholders. If cash flows drop, and payout ratios become unsustainable, dividend cuts could materialize.

And for investors in REITs, that's a very bad thing. These investments are typically viewed as pure income plays. Indeed, REITs are often considered bond proxies. A drop in yield most certainly spells trouble.

That said, CAP REIT maintained its distribution throughout the pandemic. The trust's payout ratio remains relatively low relative to its peers. Indeed, there's a significant margin of safety with respect to this REIT, which has helped assuage investor concerns.

That's a great thing for investors.

Solid fundamentals paint positive long-term picture

The fact that CAP REIT's dividend yield appears sustainable is a great thing for long-term investors.

Indeed, the REIT's history of raising its dividend yield annually can be linked back to the REIT's relatively low payout ratio. I'm of the view there's room for further increases on the horizon, and investors should sit pretty with this stock right now.

The REIT's diversified portfolio of more than 65,000 apartments across Canada (and around the world) provides additional cash flow stability. Additionally, CAP REIT boasts an occupancy rate of 97.9%, which is only 1.1% down throughout the pandemic than 2019.

That's impressive.

Add to these factors CAP REIT's balance sheet strength, and there's a real winning combination. The REIT has \$750 million in liquidity and a debt/book value of only 36%. The company has significant room for further acquisitions and reportedly has a significant amount of room to raise rents across the board.

These fundamental factors make CAP REIT a stock I'd invite investors to consider today. As far as I'm concerned, there are few REITs out there with the balance sheet quality and fundamentals of CAP REIT right now.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. dividend
2. dividend stock
3. Editor's Choice
4. investing
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1. TSX:MAGT (Magnet Forensics)

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Date

2025/08/18

Date Created

2021/04/07

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