



## Buy Alert: 1 REIT that Can Give You 8.4% Dividends

### Description

The Canadian housing market is too hot to touch right now. The prices are soaring, and despite the fact that in major cities, the prices have gotten way too high for average home buyer, the houses aren't sitting on the market for very long. Investors, both foreign and local, are dumping a lot of cash into the housing market, blowing the bubble bigger and bigger.

The government has started to impose measures to slow down the pace of this growth, but many are concerned that these measures won't be enough to curtail or control foreign investments. The summary is that housing right now is not an ideal place to start a passive income stream from, even if you have enough capital to enter the market.

A much better alternative might be a stable high-yield REIT like **True North Commercial REIT** ([TSX:TNT.UN](https://www.tsx.com/stocks/quotes/TNT.UN)).

### An attractive yield

[True North Commercial](https://www.truecommercialreit.com/) is currently offering a mouthwatering yield of 8.4%. The yield is supported by a payout ratio of 129%, which is quite high, but it's a significant step down from the payout ratio for 2020. And if the company managed to sustain its dividends through the tough year of 2020, chances that it might slash your dividends now are quite low, especially considering that its net income is steadily increasing for the last four quarters.

It might not be prudent to put all your eggs in one basket, but if you were to invest the amount you would have invested in the 20% down payment of a rental property in this REIT, the returns would be quite attractive. The average home price in 2021 is expected to go beyond \$660,000. The 20% would be \$132,000, and at 8.4%, this would yield about \$924 a month.

It's a significant step up considering a rental property (if you "net" the rent with mortgage and maintenance cost), it might take years, if not decades, to start a considerable positive cash flow for you.

## The REIT

The True North stock is still way down from its pre-crash peak (about 13%), but it has recovered quite a bit. The financials are strong, and the balance sheet is solid. By the end of 2020, the company had a 98% occupancy rate in its 47 properties. 99% of the rent was collected, and the company has a decent weighted average lease term, promising consistent cash flow.

The company has an impressive property and tenant portfolio. About 35% of its revenue comes from government tenants, and 40% comes from credit-rated tenants.

## Foolish takeaway

True North hasn't grown [its dividends](#) even once in the last six years. But it also didn't slash its dividends in 2020, which is a major point in the REIT's favor, especially considering its commercial asset focus, i.e., offices. And if the revenues and net income keep increasing at their current pace, it's highly unlikely that True North will slash its dividends anytime soon.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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