2 REIT Giants That Yield Up to 3.7% Dividends

Description

2021 has been great for a lot of sectors and industries. The housing market is reaching new heights, and the energy sector is finally recovering from the slump it fell into in 2020. But the REITs have been a bit different. Some REITs have seen their revenues and net income recover, while others were forced to slash their dividends.

The situation has been more prevalent with the relatively small REITs, where giants of the industry have mostly been stable. Even though they might not offer as attractive yields as other, down-trodden REITs tend to offer, they offer stability and, to an extent, capital growth prospects.

An urban workspace REIT

Allied Properties (TSX:AP.UN) is a Toronto-based REIT with a market capitalization of about $5.5 billion. The REIT was created with the aim of consolidating Class I workspace in Canada, but it started broadening its scope. Nowadays, the company focuses on a broader spectrum of urban workspace and urban data center properties, and its property suites retail and storage properties as well.

The REIT has around 200 properties in seven cities located strategically around urban concentrations. It offers a moderately generous yield of 3.8% at a stable payout ratio of 64.9%. Many REITs slashed their dividends since the year started, but Allied, in keeping with its aristocratic tradition, grew its dividends (by 3%). The situation has changed a bit since the market crash, but before 2020, Allied Properties used to be a decent growth stock.

It offered slow but steady growth to its investors, a trend it has picked up since 2021 started. The stock has already grown almost 15% since the start of this year, and it might continue along this path.

An industrial/logistics REIT

Granite REIT (TSX:GRT.UN) is one of the oldest aristocrats among the REITs, with a ten-year-long dividend growth streak. With a market capitalization of $4.7 billion, it's also one of the giants. It's currently offering a yield of 3.7% and a payout of $0.25 per share, which is the result of a 3.3% growth last year.

In today's market, where e-commerce dominates, Granite has a relatively clever portfolio. It has 115 properties in its portfolio, 67 of which are modern warehouses, seven special-purpose, and 37 are multi-purpose properties. It's one of the reasons why its revenues didn't even take a temporary dip during 2020. And if they keep growing at their current pace, the company is likely to have a very strong financial footing in the industry.

Granite's 3.7% yield pales in comparison to its growth prospects. Even if it can keep growing at a relatively modest and sustainable growth rate akin to its 10-year CAGR (16.5%), it can do wonders for your portfolio.

Foolish takeaway

REIT giants, especially the ones that are still sticking to the tradition of growing their payouts at a time when others are slashing, might not offer great yields, but they do offer payout growth, which can be quite substantial in the long run. Combine that with the reliability of their dividends and capital growth prospects, and it's easy to see why taming modest-yield giants would be better than allying with high-yield dwarfs in the long run.

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Author
adamothman