Income Stability: 2 Top-Ranked REITs for Real Estate Investors

Description

Canadian investors who want exposure to the real estate sector can purchase real estate investment trusts (REITs) on the **TSX**. While you don't have actual ownership of investment properties, there'll be cash flows for income stability. Most REITs can afford to pay higher-than-average dividends because of the tax breaks available to large property landlords.

Today's real estate market is red-hot, although not conducive to buying for investors due to inflated prices. Some industry observers predict the bubble will burst soon. Cliff Stevenson, Chairman of the Canadian Real Estate Association (CREA), acknowledges that a housing crisis exists and will not disappear on its own.

Two top-ranked REITs, **True North Commercial** (TSX:TNT.UN) and **H&R** (TSX:HR.UN), are excellent choices if you want to add the real estate asset class to your portfolio basket. The dividends are generous and should be sustainable, given the strength of their property rental businesses and tenant base.

Security of cash flows

Income investors prefer True North over other REITs because of its high yield and tenant profile. At only $7.37 per share at writing, you can partake of the ultra-high 8.28% dividend. Since the payouts are monthly, a $50,000 position will produce $345 in passive income every month. You can keep reinvesting the dividends for faster churning of your money.

True North boasts a high-profile tenant base that includes the federal government of Canada and three provincial governments. As a shareholder in this $645.86 million REIT, you'd be a pseudo-landlord collecting rental income from government lessees and credit-rated business entities. This group contributes 76% of total revenues.

The portfolio of 45 commercial properties enjoys a high 97% occupancy rate, with an average lease term of 4.7 years. True North's principal focus is on urban areas. Management's investment criteria are straightforward. Focus on urban areas for property acquisitions. Be selective and choose only high-quality tenants. The result should be stable contractual cash flows.

Diversified asset class

H&R is a fully internalized REIT and one of the largest in Canada. The $4.78 billion REIT leases out 457 properties consisting of four real estate asset classes. Its office, (38%), retail (31%), residential (23%), and industrial (8%) properties are in Canada and the United States.

In 2020, H&R suffered a significant drop in occupancies due to the fallout from the pandemic. Its total loss in the first half of last year was slightly above $1 billion. However, the business has improved, as evidenced by the $254.3 million net income in the six months ended June 30, 2020. The property operating income also increased 1.7% year-over-year.

According to H&R President and CEO, Tom Hofstedter, the REIT's rebound in 2021 reflects the quality of the portfolio and strength of the balance sheet. As of June 30, 2021, the average lease terms of the office, retail, and industrial portfolio are 12, 6.7, and 6.5 years, respectively. There are 24 residential properties in select U.S. markets. The share price and dividend yield are $16.29 and 4.32% if you invest today.

Portfolio diversifier

Apart from the competitive investment returns from True North Commercial, H&R, and other established Canadian REITs, you'd have a suitable portfolio diversifier. Some market analysts even compare the asset class to low-risk bonds. There's income stability without vacancy risks and the responsibilities of an actual landlord.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Dividend Stocks
2. Investing

Date
2025/08/20
Date Created
2021/09/23
Author
cliew