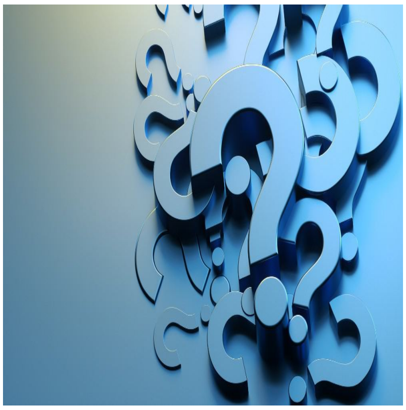

Pick 1: REIT or Royalty Stock Paying Over 7% Dividends?

### Description

Income investors lean toward high-yield dividend stocks most of the time. Their goal is to receive higher income streams regularly. Today, one real estate investment trust (REIT) and a multi-royalty corporation are irresistible choices. Apart from the affordable share prices, both pay more than 7% dividends.



However, if you were allowed to pick only one, should it be **BTB** (TSX:BTB.UN) or **Diversified Royalty** (TSX:DIV)? Let's size them up and compare the strengths and weaknesses of the respective businesses before you choose.

## Three property categories

BTB is a $297.97 million REIT that generates rental income from a diverse portfolio of income-producing properties. As of June 30, 2021, it has 65 properties, where 47.7% are office spaces leased to multiple tenants operating various businesses but without a retail customer base.

About 26.2% of the portfolio are properties with maximum vertical usage, such as warehousing and storage. The remaining 26.1% consists of retail or big-box tenants. You can find BTB's leased properties in Canada's primary markets (Greater Montreal, Greater Ottawa, and Greater Quebec City).

BTB reported an adjusted net income of $9 million in the first half of 2020 despite the coronavirus outbreak. At the halfway point of 2021, management reported revenue and adjusted net income growth of 5.61% and 39.25% versus the same period in 2020. Notably, adjusted net income in Q2 2021 grew 113.73% versus Q2 2020.

The REIT's occupancy rate is 92.2%, while the weighted average lease term is 5.2 years. BTB's top three high-profile tenants are the federal government of Canada, the provincial government of Quebec, and **Walmart** Canada. Meanwhile, pursuing growth opportunities is an ongoing concern.

On October 14, 202, BTB announced the acquisition of two Class-A Life-Science and Tech Suburban Office Properties. It also signed a new financing agreement with the National Bank of Canada.

Performance-wise, the real estate is up 21.6% year to date. At $4.06%, the REIT pays a mouthwatering 7.39% dividend.

## Six royalty partners

Diversified Royalty is an enticing pick because, at only $2.81 per share, the dividend yield is a fantastic 7.47%. A $5,000 investment will produce $373.50 in passive income. The stock also outperforms the broader market with its 25.88% year-to-date gain.

The $343.99 million multi-royalty corporation owns the trademarks to AIR MILES, Mr. Lube, Mr. Mikes, Sutton, Nurse Next Door. and Oxford Learning Centres. It collects royalties from these six partners in the royalty pool. Like BTB, Diversified Royalty experienced hardships during the pandemic.

Fortunately, the businesses of the royalty partners are slowly recovering from the pandemic's fallout. In the first half of 2021, total revenue (royalties plus management fees) increased 25.65% to $16.56 million versus the same period in 2020. Diversified's net income was $14.75 million compared to the $8.38 million net loss.

Still, Diversified is highly dependent on the business performances of its royalty partners. The immediate threats are low revenues due to low system sales and changing consumer behavior. There's also the uncertainty as to when the royalty partners can restore or resume normal operations.



## Pure dividend plays

BTB and Diversified Royalty are pure dividend plays. However, the respective businesses are not without risks. Both have not fully recovered from the pandemic's effect, although business is improving. The choice depends on which line of business you think will recover faster in the months ahead.

**CATEGORY**

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