This 6.5% Dividend Stock Pays Cash Every Month

Description

It has been almost two years since the pandemic started rocking the global stock markets hard and caused them to crash. The recovery since has been quite divided. Some stocks recovered almost instantly and have already gone through a correction phase following their explosive post-pandemic growth. Others took more time, and their growth and financials are now in line, making them relatively stable.

There are a few stocks that still haven't fully recovered from the crash, and though it's bad from a capital-appreciation perspective, it's beneficial from the dividend perspective. That's what's happening with the generous and safe **PRO REIT** (TSX:PRV.UN).

The REIT

PRO REIT has been around for less than a decade. It was founded in 2013 and is headquartered in Montreal. It's a commercial REIT with an industrial-heavy portfolio, which makes up about two-thirds of the base rent coming from the portfolio. Retail comes next (about 26%), and the third element is office properties. The REIT owns about 120 properties, and the 98.5% occupancy rate across the board is impressive and promises stability.

Another element that endorses PRO REIT's stability is the geographic distribution of its assets. The weighted average lease term is not very impressive (4.8 years), but it does offer financial stability for the next five years at least, ensuring dividend sustainability.

Dividends are the primary reason to consider investing in PRO REIT, because even though it can be regarded as a great stock for capital preservation, it doesn't offer much in the way of capital appreciation.

The tenant portfolio of the REIT is quite decent as well. Among its top 10 tenants are the Government of Canada, Sobeys, and Shoppers Drug Mart — i.e., stable entities that offer financial stability to the landlord REIT.

The dividends

PRO REIT offers a mouthwatering 6.5% yield right now. Part of the reason for this high yield is the fact that the stock still hasn't recovered to its pre-pandemic levels yet, even though the 11.9% discount is not quite significant. But it's also not unusual if you consider the almost static stock history of the REIT.

The dividends also seem quite financially viable if you consider the payout ratio of 85.6%. But an even better guarantee that the stock might not slash its payouts anytime soon and a higher probability that it might grow them is the fact that it had to cut its dividends in 2020. It went from paying $0.525 per share per month to $0.375 per share.

This dividend slash brought the payout ratio down from 130% in 2020 to the current, relatively stable number that it is now.

Foolish takeaway

PRO REIT is an excellent choice for passive income due to its dividend yield and frequency. You can get an even $100 a month in passive income, ideally from your TFSA (so it's tax-free), by investing just $18,500 in the REIT, which is less than one-fourth of a fully stocked TFSA in 2022.

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