1 REIT Yielding 8.11% Offering Stable Income

Description

A lot of the time, when Motley Fool investors see a super-high dividend yield, they might think, "What's the catch?" And rightly so. A lot of the companies offering them have likely gone through a major correction, leading to a high dividend but a lot more share depreciation.

But that's not the case for this real estate investment trust (REIT). It offers strong growth, trades in a stable industry and still offers that whopping 8.11% dividend yield as of writing. So, let's see what we're talking about.

Slate Grocery REIT

Slate Grocery REIT (TSX:SGR.U) is the owner and operator of US$1.3 billion in real grocery-anchored real estate across the United States. It operates in major U.S. metro markets, providing consumers with essential items.

It's this term "essential" that we've come to learn the importance of. Essential means a business can stay open, no matter what. It can bring in cash no matter what. And that's exactly what Slate has been doing these last few years.

During its most recent quarterly report, the company reported solid growth in the first quarter. Funds from operations increased 15.7% year over year, with 97% of its portfolio covered by secured net leases. Total occupancy remained stable at 93.2%.

Value and dividends

Yet even with all this great news, Slate is still a REIT trading in value territory. It currently trades at 15.61 times earnings, with a price-to-book ratio of just 0.97. Shares are down by just 0.21% in the last year, but 17% since the height of the **TSX** on March 29.

Yet in the last day, there's been a turnaround, with shares coming up by a whopping 5% practically overnight. This comes as investors in the TSX believe there was a market correction between March 29 and May 13 of 10.8%. Once it hits that 10% mark, investors see it as an official correction and may start buying up shares again.

While another fall may come, Slate REIT still offers stability with this growth portfolio. It seeks out long-term growth through its grocery-anchored business. That's why it can still afford to offer such an incredible dividend yield.

Now for the dividend

Slate REIT has a dividend yield of 8.11%, which comes out to $1.12 per share annually. It offers a compound annual growth rate of 0.67% over the last five years, but make sure to look at that carefully.

During the last decade, monthly dividends have fluctuated slightly. They tend to come in anywhere between $0.086 per share per month and $0.096 per share per month. So, right now, you're getting somewhere in the middle at $0.093.

Even still, that would still be around the 8% mark as of writing. And that's still much higher than many other REITs can offer — all while climbing 19% in the last year to today's share price, even after the recent drop.

Foolish takeaway

If you were to invest $20,000 in Slate REIT today, you would get a few things. Most obviously, you would bring in $1,557 in dividends each and every year, locked in at these rates. But you'd also get access to a quick rebound to pre-market correction highs of $17.34 or at least to the analyst target price of about $15.50.

All in all, you could make as much as $5,677 in returns a year from now by investing in this REIT on the TSX today.

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Date
2025/08/22
Date Created
2022/05/14
Author
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