Top 3 REITs That Are Yielding Over 3%

Description

The housing market is cooling off, inflation is rising, interest rates are going up, and a recession could be on its way. Investors who want to take a long-term view of the market while ensuring their cash flows won't be affected could look to add quality REITs to their portfolios. These real estate investment trusts (REITs) are anchored by strong clients, resulting in stable cash flows and high dividend yields.

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) sports a dividend yield of 6.84%. The company's largest tenant is **Walmart**, the world's largest retailer. This powerful anchor gives SmartCentres the leeway to push for expansion while counting on predictable rent and cash flows. It could also be a primary reason why this REIT has declined by "just" 14% this year.

The company had a solid Q1 its funds from operations rose by 4.1% year over year. Total unencumbered assets saw a massive increase from $5.9 billion at the end of Q1 of 2021 to $8.4 billion in the March quarter. Occupancy rates were at 97% at the end of the quarter.

The stock is trading at $27.36, and the average analyst target price for SmartCentres REIT is $33, which is a potential upside of over 20%. Add in the dividend payout, and investors are looking at market-beating returns.

Choice Properties REIT

Choice Properties REIT (TSX:CHP.UN) owns a lot of properties that are leased out to consumer staple tenants such as retailers and residential units. Its largest client is **Loblaw**, Canada's leading retailer. This relationship is a major reason that Choice Properties's cash flow and income are stable and predictable. Its latest earnings report said it had a 97% occupancy rate.

As the housing market in Canada starts to cool off, the REIT's residential units might come into play. More families will turn to rental properties, and Choice stands to benefit from this shift. For Q1, Choice

Properties reported a net income of $387 compared to a net loss of $62.2 million in the year-ago period.

The stock is currently priced at $13.62 and the average analyst target price for the REIT is $16.25, a potential upside of almost 20%. When you add in the healthy 5.38% dividend yield, you realize that this REIT is a great source of passive income and capital appreciation.

Dream Industrial REIT

Dream Industrial REIT (TSX:DIR.UN) owns industrial properties in Canada, the U.S., and Europe. The stock has lost almost 28% in the first six months of 2022. A lot of the REIT's properties are located near city centres, and since it owns industrial properties, there are hardly any upkeep costs.

Its clients are primarily companies who want to store their inventory near city centres, so they can be delivered quickly to their customers.

Dream Industrial REIT offers a dividend yield of 5.77%. The stock also has a price-to-earnings ratio of 3.25, which is very reasonable. All of these numbers get better when you take into account that the REIT's net rental income for Q1 came in at $65.3 million — a 40% increase when compared to $46.7 million in the prior-year period.

Shares of Dream Industrial REIT are trading at $12.21, and the average analyst stock price for the stock is $18.44. That's an approximate upside of over 51%. When you add in the dividend payout, you realize that this REIT is a solid buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Date
2025/07/17
Date Created
2022/07/02
Author
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