



True North REIT: This Dividend Titan Yields 9.44%

Description

Real estate investment trusts (REITs) are among the profitable investments for Canadian investors. Besides exposure to the country's robust [real estate industry](#), most **TSX** REITs are generous dividend payers. You can also choose from several sub-sectors depending on your preference and risk tolerance.

These real estate stocks are eligible investments in a Tax-Free Savings Account ([TFSA](#)) and Registered Retirement Savings Account ([RRSP](#)). Furthermore, market observers concede that Canadian REITs are solid places to park your money or grow wealth.

However, the real estate sector (-17.44%) where REITs belong, underperforms year-to-date. **Canaccord Genuity** analyst Mark Rothschild, said, "We attribute the underperformance of REITs relative to the broad market to rising long-term interest rates, widening credit spreads, and outsized returns for the Canadian energy and materials sectors."

He adds that rising long-term interest rates are causing future cash flow growth to be discounted at a higher rate compared to earlier this year. Thus, valuations of higher-growth REITs are now lower. Nevertheless, a pure-play office REIT is hard to ignore if you're an income investor.

True North Commercial ([TSX:TNT.UN](#)) is a dividend titan for its mouth-watering 9.44% dividend. A \$10,000 investment will produce \$1,888 (\$157.33 per month) in passive income. The best part is that you can be a mock landlord for 46 commercial properties for only \$6.29 per share.

Positive attributes

This \$1.12 billion REIT has positive attributes worthy of investors' consideration. True North owns a diversified portfolio of high-quality assets, and these income-producing properties are spread out across five Canadian provinces.

More importantly, the tenant profile leans heavily towards government and credit-rated tenants that contribute 76% of total revenue. The federal government of Canada (13.8%) is the tenant that

contributes the most to gross revenue.

By industry, public administration (34%) and services (26%) have the highest representation among tenants. Finance, insurance, and real estate (18%), manufacturing (12%), and others (10%) round out the lessees.

Because of its high-quality tenant base, True North can fulfill its commitment to deliver stable contractual cash flows. Also, the company continuously expands its asset base to increase the distributable cash flow. On an ongoing basis, management pursues the acquisition of commercial properties in jurisdictions where opportunities exist.

Latest financial results

Daniel Drimmer, True North's CEO, said, "The REIT continues to benefit from positive leasing momentum, high rent collections, and stable occupancy in the first half of 2022. Management is optimistic that the positive trends in leasing will continue in the second half of 2022 and beyond as employers continue the transition to return to office."

In the six months ended June 30, 2022, revenue and net operating income (NOI) increased 4% and 5% versus the same period in 2021. True North's net income and comprehensive income climbed 87% year-over-year to \$30.39 million. While occupancy dropped by 1% to hit 96%, the rate is still high.

Other highlights include strong rent collections and positive leasing activity. As of August 3, 2022, True North collected approximately 99.5% of its Q2 2022 and year-to-date 2022 contractual rent. Management anticipates a broader scale return-to-office towards year-end. However, it knows that the timing is highly dependent on the state of the pandemic.

Selling points

True North is an excellent source of income for young and old investors. The REIT's high-quality tenant base and generous dividends are the main selling points.

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