



This 6.3% Dividend Stock Pays Cash Every Month

Description

Investors looking for opportunities to boost their passive income in 2023 may wish to take a closer look at **Artis Real Estate Investment Trust's** ([TSX:AX.UN](https://www.tsx.com/AX/UN)) high-yield regular monthly income potential. Indeed, dividend distributions should yield 6.3% this year. Canadian Real Estate Investment Trusts (REITs), especially the diversified ones, were beaten down last year as interest rates rose in North America. Up more than 6% so far this year, Artis REIT units have ample upside as management reorganizes its property portfolio.

Artis REIT is a diversified REIT with a \$5.2 billion industrial, office, and retail property portfolio comprising 152 properties totalling 18.1 million square feet of gross leasable area located in Canada and the United States. The trust fits well in both [real estate](#) and [dividend investing strategies](#). It should belong to every income-oriented investor's portfolio in 2023 considering that its distributions could be among the safest yields of Canadian REITs this year.

Artis REIT to pay some of the safest monthly distributions in 2023

Artis pays a regular monthly income distribution of \$0.05 per unit. As noted, that distribution currently yields 6.3%, annualized. The REIT's monthly distributions rank among the safest and most covered among peers in Canada right now.

For instance, the trust paid out just 60% of its adjusted funds from operations (AFFO) during the third quarter of 2022. Its AFFO payout rate was a low 59.2% for the first nine months of 2022. AFFO is a good measure of a REIT's recurring, cash-based operating income from which it pays regular monthly distributions. AFFO payout rates in the 80% range are considered safe, and desirable for growth.

Artis REIT's AFFO payout rate is among the lowest in the industry today. The trust even has wiggle room to increase the payout, or continue to pay down debt and finance its equity units repurchases on the public market.

Aggressive repurchases could shore up Artis REIT units

Investors in Artis REIT could reap much more gains on top of regular monthly dividend distributions in 2023. The trust is aggressively repurchasing its equity units on the public market. It recently renewed a repurchase program to buy back up to 10% of its issued and outstanding units by December 18, 2023.

Management had fully utilized a recently expired repurchase authorization and acquired 8,788,176 units during the past year for about \$109 million. It's highly likely that the trust may fully utilize the renewed repurchase program in 2023.

Diversified REITs are generally out of favour on the public markets today. Artis' units are selling at a 50% discount to their most recent net asset value (NAV) reported for September 2022. Management strongly believes that Artis REIT's units are significantly undervalued relative to the trust's underlying portfolio's fair value and the business' future growth

The remaining investors have more claims to the REIT's income and a higher share in its properties portfolio.

Should you buy?

Artis REIT is undergoing a portfolio reorganization. Its distribution appears safe. The trust has an investment-grade credit rating and its balance sheet is healthy. Portfolio occupancy was good above 90% going into the fourth quarter of 2022. If successful, the reorganization strategy could help reduce the current 50% discount on AX.UN stock units. Units may double if the discount goes away. Meanwhile, investors get paid a handsome 6.3% yield in monthly distributions as they patiently wait for valuation discounts to disappear.

An investment of \$10,000 in Artis REIT units could buy about 1,047 units at today's prices of around \$9.55. They will pay you back \$52.35 every month or \$628.20 per year in passive income. Of course, you'll get more if you invest more. However, if you diversify investments to other REITs and across asset classes, you can reduce total risk in your portfolio.

REIT distributions are generally taxed at your marginal income tax rate, so placing the units in a Tax-Free Savings Account (TFSA) could help avoid taxes for life.

CATEGORY

1. Dividend Stocks
2. Investing

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