

## 2 Oversold Dividend Stocks With Solid 5% Yields

### Description

Dividend investors have to be careful these days because the market is serving up a lot of tantalizing yields, but many of the distributions are past their due date and likely to give you a stomach ache.

Fortunately, that's not the case with all big payouts, and some companies with very safe dividends are now trading at very attractive prices.

Here are the reasons why I think dividend investors should consider **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) right now.

#### RioCan

RioCan owns 293 retail properties across Canada and another 47 locations south of the border. The properties count some of the industry's top brands as tenants and despite the success of online shopping, people still spend a lot of time slapping down their credit cards as they wander through the malls.

The stock has been under some pressure over the past three months as investors digest **Target's** drastic failure in Canada and consider the risks of a prolonged recession.

The numbers suggest the company is doing just fine. RioCan reported solid Q2 2015 results with funds from operations coming in at \$136 million, a nice 7% increase over the same period in 2014. Demand remains strong for the company's prime retail space as customers renewed of 1.1 million square feet in Q2 at an average price increase of 9.8%.

Investors are carefully watching the company's experiment of building condos above the shopping centres. If the program is successful, revenues and distributions should get a nice boost.

RioCan is also evaluating the sale of its U.S. properties. If that goes through, investors could get a juicy one-time special payout.

The company pays a distribution of \$1.41 per share that yields 5.5%.

#### Canadian Imperial Bank of Commerce

The Canadian banks are taking it on the chin right now as fears mount about a weakening economy and the potential for a housing crash.

CIBC is the most exposed to the domestic market, but that doesn't mean it is in trouble.

The company is very well capitalized with a Basel III CET1 ratio of 10.8%, which means it is more than capable of riding out some difficult times in both the economy and the housing sector. The company's mortgage portfolio is large, but very manageable. About 67% of the portfolio is insured and the loan-to-

value ratio of remaining mortgages is 61%. This means the market would have to fall off a cliff for the bank to start getting into difficulties.

The most likely scenario is a gradual slowdown in the housing market, and that is not going to present a problem.

CIBC has increased its dividend eight times in the past five years. The distribution of \$4.36 per share now yields about 5%, and investors can sleep well at night knowing the payout is very safe.

The stock trades at an attractive 9.3 times forward earnings. The share price could very well continue to slide in the coming weeks or months, but the long-term outlook is good for the bank and you won't get many chances to pick it up at such a bargain.

## **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

## **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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