Buy These 2 Oversold Dividend Stocks While They Are Still Cheap

Description

The market pullback is giving dividend investors a great opportunity to pick up some long-term dividend champions at very attractive prices.

Here are the reasons why it might be time to buy **RioCan Real Estate Investment Trust** (TSX:REI.UN), and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP).

RioCan

RioCan is taking a hit right now because investors are worried about the impending interest rate hike south of the border and the deteriorating health of the Canadian economy. Both of these issues are valid concerns, but investors are probably overreacting.

When interest rates finally start to rise, the cost of borrowing will certainly increase. REITs tend to carry a lot of debt, so the rate move will have an impact, but the rate hikes will be very small and likely implemented over a long period of time.

RioCan only has 47 properties in the U.S. compared to 293 in Canada. The company is considering the sale of the U.S. portfolio, and that would unlock gains that could be used to pay down debt, invest in more properties, or pay a special distribution.

As for the weak economy, RioCan doesn't seem to be feeling the effects. In the second quarter, RioCan delivered a 7% year-over-year gain in funds from operations and leased out 1.1 million square feet of retail space at an average rent increase of 9.8%.

RioCan's customers tend to be large companies with long-term lease contracts. A slowdown in consumer spending could hit revenues and discounting might squeeze margins, but most of the retail giants can ride out a downturn in the economy.

RioCan pays an annualized distribution of $1.41 per share that yields about 5.7%. The payout looks safe.

TransCanada Corporation

These days, pipeline-friendly politicians in the U.S. and Canada are hard to come by, and it's likely that TransCanada's life on the lobbying front is going to get more complicated in the near term.

At least, that's what the market seems to think as it frets over the delays in TransCanada's major Keystone XL and Energy East liquids pipeline projects.

What investors seem to be forgetting is the fact that TransCanada has $12 billion in other projects that are moving along quite nicely and should be in service by 2018.

The company has even said it plans to increase the dividend by 8-10% per year through 2017.

That doesn't sound like a company that's in trouble. In fact, earnings are still flowing. TransCanada reported solid Q2 2015 net income of $429 million, or $0.60 per share. That was pretty much in line with the Q2 2014 results, which isn't bad in the current environment.

As the new assets go into service, TransCanada will increase the dividend according to the rise in cash flow. The company currently pays a distribution of $2.08 per share that yields 5%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:TRP (TC Energy Corporation)

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