Income Investors: 2 Stocks With Attractive Yields and Solid Upside Potential

Description

Some investors use dividends and REIT distributions to supplement their income.

A reliable payout is the primary investment criterion for this group, but it's always nice to own stocks that also have a shot at increasing in value.

The pullback in the market in January offered a great opportunity to buy many of Canada's top companies at very attractive prices. Now that stock prices have recovered, much of the upside potential is gone, but there are still a few names out there that offer juicy yields as well as a shot at some decent capital gains.

Let's take a look at why **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) are attractive picks.

RioCan

Canadian REITs took a beating in the second half of 2015 as investors began to worry about the lingering oil rout and a slowdown in the Canadian economy.

Companies that operate office buildings in Alberta should probably be avoided, but RioCan owns shopping centres, and the business is doing quite well.

Why?

RioCan's anchor tenants tend to be pharmacies, grocery stores, discount vendors, and retailers of everyday goods. These businesses are big names with solid operations and sell the stuff people need to buy regardless of the state of the economy.

RioCan delivered Q4 2015 funds from operations of $142 million, up nearly 10% compared with the same period in 2014. Committed occupancy in Canada is at 94%, and RioCan renewed 4.6 million square feet of space in 2015 at an average rent increase of 8.1%.

Management is selling off 49 U.S. properties and will use the proceeds to pay for a recent acquisition, reduce debt, and fund new investments. One development that could boost revenue significantly is a plan to construct residential properties at the company's prime retail locations.

RioCan pays a safe monthly distribution of 11.75 cents per share that yields 5.25%. The stock has already recovered some of the 2015 losses, but further upside should be on the way as new developments come online.

Enbridge

Enbridge also took it on the chin last year as investors fled any name connected to the energy space.

Producers deserved to take a hit, but the sell-off in Enbridge looks way overdone.

The company does not produce oil or gas; it simply transports the commodity from the point of production to the end user and charges a fee for providing the service. In essence, Enbridge is just a gigantic tollbooth, and the changes in the price of oil have a very limited direct impact on revenue.

The investment slowdown by energy companies could put a dent in demand for new pipeline infrastructure if the oil rout continues for several years, but Enbridge has a sufficient project backlog to keep it going while the market sorts itself out.

In fact, Enbridge plans to complete $18 billion in new infrastructure over the next three years. As the projects go into service, revenue and cash flow will increase, and that is good news for dividend investors who should see the distribution increase by 8-10% through 2019.

Enbridge currently pays a quarterly dividend that yields 4.2%. The stock has bounced 25% off the 52-week low, but still sits significantly below the highs it hit last spring.

If you think oil prices have bottomed, this is a good time to add Enbridge to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Author
aswalker