

## 2 Stocks to Buy for a Growing Stream of Monthly Income

### Description

As income investors, we want to own stocks with high and reliable distributions, and the best stocks to buy are those that can also grow their payouts over time.

Let's take a closer look at why **Plaza Retail REIT** ([TSX:PLZ.UN](#)) and **Altagas Ltd.** ([TSX:ALA](#)) should be two of your top picks for a growing stream of monthly income today.

#### Plaza Retail REIT

Plaza is one of Canada's largest developers and owners of retail properties, including strip plazas, stand-alone small-box retail outlets, and enclosed shopping centres. Its portfolio consists of 298 properties, comprising of approximately 7.6 million square feet located across eight provinces. It also has 24 projects under development or redevelopment, which will add approximately 1.8 million square feet to its portfolio upon completion.

Plaza currently pays a monthly distribution of \$0.02167 per unit, representing \$0.26 per unit on an annualized basis, which gives its stock a bountiful 5.2% yield today.

As savvy investors, we know we must always check the safety of a stock's yield, and that's very easy to do with Plaza since it's a REIT; all you have to do is make sure that its adjusted funds from operations (AFFO) cover its distributions. In the first half of 2016, its AFFO totaled \$15.23 million (\$0.157 per unit), and its distributions totaled just \$12.69 million (\$0.13 per unit), resulting in a safe 83.3% payout ratio.

In addition to having a high and safe yield, Plaza has one of the longest track records of distribution growth in its industry. It has raised its annual distribution each year since 2003, including a compound annual growth rate of about 10% in that span, which puts it on pace for 2016 to mark the 13th consecutive year with an increase. This streak is the second longest in the industry, behind only **Canadian REIT**, whose streak will reach 15 at the conclusion of 2016.

I think Plaza's consistent financial growth, including its 8.3% year-over-year increase in AFFO to \$15.23 million in the first half of 2016, and its 24 development or redevelopment projects, which will be completed through 2019 and immediately be accretive to its cash flow, will allow its streak of annual distribution increases to continue in 2017 and beyond, making it one of the best buys for income investors today.

#### Altagas Ltd.

Altagas is a North American energy company focused on constructing, owning, and operating low-risk, long-life infrastructure assets. Its portfolio consists of a mix of natural gas, power, and utilities assets, including natural gas gathering and processing plants, wind, hydro, biomass, and natural gas-fired power-generation facilities, and five regulated gas distribution franchises that serve over 565,000

customers in Canada and the United States.

Altagas currently pays a monthly dividend of \$0.175 per share, representing \$2.10 per share on an annualized basis, giving its stock a yield of about 6.3% today.

As mentioned before, it's very important to always check the safety of a stock's yield, and you can do this with Altagas by checking its cash flow. In the first half of 2016, its normalized funds from operations (NFFO) totaled \$248 million (\$1.66 per share), and its dividend payments totaled just \$148 million (\$0.99 per share), resulting in a conservative 59.7% payout ratio.

Like Plaza Retail REIT, Altagas has a track record of dividend growth. It has raised its annual dividend payment every year since 2010, including a compound annual growth rate of about 8% in that span, which puts it on pace for 2016 to mark the sixth consecutive year with an increase.

I think Altagas's strong financial performance, including its 19.2% year-over-year increase in NFFO to \$248 million in the first half of 2016, and its expansion plans, which includes 11 projects that are under construction or development that will be completed through 2020 and immediately be accretive to its cash flow, will allow its streak of annual dividend increases to continue going forward, making it one of the best dividend plays in the energy sector today.

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:PLZ.UN (Plaza Retail REIT)

## Category

1. Dividend Stocks
2. Investing

## Tags

1. Editor's Choice

## Date

2025/09/27

## Date Created

2016/09/20

## Author

jsolitro

default watermark