

## 2 Top Dividend-Growth Stocks for Any Investor

### Description

Every portfolio should hold a few dividend-growth stocks, because dividend-growth investing is one of the most powerful and time-proven strategies to build wealth.

With this in mind, let's take a closer look at why **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) and **Stella-Jones Inc.** ([TSX:SJ](#)) are two of the best picks for dividend growth in their industries.

#### Canadian Apartment Properties REIT

Canadian Apartment Properties REIT, or CAPREIT for short, is one of Canada's largest residential real estate investment trusts (REIT). It has ownership interests in 48,190 residential units, comprising of 41,747 apartment and townhome suites and 6,443 land-lease sites in 31 manufactured home communities, which are located in and near major urban centres across the country.

CAPREIT currently pays a monthly distribution of \$0.1042 per unit, representing \$1.25 per unit on an annualized basis, and this gives its stock a lavish yield of about 4.4% today.

It's easy to confirm the safety of CAPREIT's 4.4% yield by checking its cash flow. In the first half of 2016, its normalized funds from operations (NFFO) totaled \$110.75 million (\$0.864 per unit), and its distributions totaled just \$79.75 million (\$0.613 per unit), resulting in a 72% payout ratio, which is in line with its target payout range of 70-80%.

A high and safe yield is great, but what we really care about is distribution growth, which CAPREIT has shown a dedication to delivering. It has raised its annual distribution each of the last four years, and its two hikes since the start of 2015, including its 2.5% hike in June of this year, have it on pace for 2016 to mark the fifth consecutive year with an increase.

As mentioned before, CAPREIT has a long-term target payout range of 70-80% of its NFFO, so I think its very strong NFFO growth, including its 16.1% year-over-year increase to \$110.75 million in the first half of 2016, will allow its streak of annual distribution increases to continue through 2020 at least, making it one of the best long-term investment opportunities in the real estate industry today.

#### Stella-Jones Inc.

Stella-Jones is one of North America's leading producers and marketers of pressure-treated wood products. It's one of the continent's leading suppliers of railway ties and timbers to railroad operators, and one of its leading suppliers of utility poles to electrical utilities and telecommunication companies. It also manufactures and distributes residential lumber and accessories, highway guardrail posts, and industrial products for construction and marine applications.

Stella-Jones currently pays a quarterly dividend of \$0.10 per share, representing \$0.40 per share on an annualized basis, which gives its stock a yield of about 0.9% today.

It may not seem completely necessary to confirm the safety of a 0.9% yield, but I think investors should do so anyways to be absolutely sure, and you can do this by checking Stella-Jones's cash flow. In the first half of 2016, its operating cash flow (OCF) totaled \$153.95 million, and its dividend payments totaled just \$13.83 million, resulting in an extremely conservative 9% payout ratio.

You may not be sold on Stella-Jones being a great dividend stock since it has a yield under 1%, so let's get down to what really matters: dividend growth. It has raised its annual dividend payment each of the last 11 years, and its 25% hike in March has it on pace for 2016 to mark the 12th consecutive year with an increase.

I think Stella-Jones's very strong OCF growth, including its 22.9% year-over-year increase to \$153.95 million in the first half of 2016, and its very low payout ratio, including the aforementioned 9% in the first half of 2016, could allow its streak of annual dividend increases to continue for another 12 years, making it the best pick for dividend-growth in the lumber industry today.

### **Is one a better buy than the other?**

I think both CAPREIT and Stella-Jones represent great long-term investment opportunities for dividend growth, but if I had to choose just one, I'd go with CAPREIT because it has a much higher yield.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:SJ (Stella-Jones Inc. )

### **Category**

1. Dividend Stocks
2. Investing

### **Tags**

1. Editor's Choice

### **Date**

2025/08/21

### **Date Created**

2016/10/13

### **Author**

jsolitro

default watermark