1 Smart Income Stock That Yields a Safe 5.4%

Description

It's no mystery that bond prices are falling, and if you're an income investor that is overexposed to bonds, then it may be time to move some of that cash into undervalued high-dividend-paying stocks. Stocks are soaring right now, so it can be very hard to find value in the market right now, and, to make matters worse, income investors have been jumping into high-yield stocks from bonds because of the turmoil that bonds are experiencing right now.

There's no question it's a tough environment for an income investor right now, but it's very important to stay disciplined and take a step back to look at the big picture. As an income investor, your strategy is to find fantastic businesses that pay bountiful dividends and are priced at a discount to the company's true intrinsic value. Don't be greedy and seek dividend yields over 6%, because the odds are a dividend cut is on the horizon, and the business probably won't have enough cash flow from operations to sustain such a high payout.

You need to take a close look at a company's balance sheet and make sure that the fundamentals are still sound. Have a look at the dividend-payout history and verify that the company doesn't have a history of cutting dividends. A consistent dividend-raise history is also a very good sign.

Follow these steps, and you can avoid value traps and artificially high-yielding stocks, which could just slash the dividend after you buy the stock.

One smart stock that is considerably cheap right now is **Smart REIT** (TSX:SRU.UN). The company develops and leases shopping malls across Canada directly and through its subsidiaries. The company owns 140 shopping malls with over 31 million square feet of space and over $8.6 billion worth of assets.

The stock recently announced that it plans to build a 700-unit condominium in Vaughan, Ontario. This will be the first time the company is going into the residential real estate market; Smart REIT has previously focused on shopping centres.

The management team at Smart REIT is also very impressive and will drive long-term value for shareholders. Smart REIT CEO Huw Thomas used to be the CFO of **Canadian Tire**, and he definitely has the experience needed to expand the business into the residential real estate industry.

Smart REIT has experienced quite the sell-off over the past few months, and shares are starting to look very attractive for long-term income investors who want REIT exposure. The stock currently yields a whopping 5.4% and is trading at a very inexpensive 1.3 price-to-book multiple. The price-to-earnings multiple is also quite low at 17.9, which is lower than its five-year historical average value of 25.8.

The stock also has an impressive dividend history; the company didn't cut its dividend even during the Great Recession, which is quite impressive considering the fact that the recession was caused by a housing collapse.

The 5.4% dividend yield is safe, and the stock should definitely be on your radar if you're an income investor looking to take advantage of an overdone sell-off. The average price target of the stock is $36.50, which represents 16% upside from current levels, not including dividends.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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