



Income Investors: Should You Own TransCanada Corporation or RioCan Real Estate Investment Trust?

Description

Retirees and other income investors are searching for reliable dividend stocks to add to their portfolios.

Let's take a look at **TransCanada Corporation** ([TSX:TRP](#)) ([NYSE:TRP](#)) and **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) to see if one is more attractive today.

TransCanada

TransCanada had a rough time in 2015 as falling oil prices and President Obama's rejection of the Keystone XL pipeline sent investors running for the hills.

At one point, things looked bleak, but contrarian types who swooped in at the bottom of the rout are now sitting on some impressive gains, and more upside could be on the way.

Why?

TransCanada regained its lost ground in 2016 on the back of higher oil prices and a major acquisition. The company bought Columbia Pipeline Group last year in a deal that set the business up for solid cash flow growth in the medium term.

The business now has \$23 billion in near-term projects on the go that should support dividend growth of at least 8% per year through 2020.

Beyond that time frame, TransCanada has an additional \$45 billion in projects under development, including Keystone XL and Energy East.

Keystone looks like it might get built under the Trump administration. Energy East is back to square one in the approval process, but the Liberal government appears keen to help Alberta get its oil to the coast, so there is a chance the pipeline could get the green light in the next few years.

If either Keystone or Energy East get the go-ahead, TransCanada's stock could pick up a nice tailwind. TransCanada's current dividend offers a yield of 4%.

RioCan

RioCan has interests in about 300 properties across Canada.

The company's retail locations are situated on prime real estate and tend to count the country's top brands among the anchor tenants.

Some investors are concerned online shopping is going to kill the shopping mall. Department stores and electronics vendors are feeling the pinch, but other sectors, such as grocery, pharmaceutical, discount, and household, should continue to do well.

Demand for RioCan's properties remains strong, and new tenants readily fill open space, as the company has seen in the wake of the exit by **Target** Canada.

Management has done a good job of reducing debt ahead of expected interest rate hikes, and a strong development portfolio of both retail and residential space should ensure decent growth in the coming years.

RioCan pays a monthly distribution that yields 5.4%.

Is one more attractive?

RioCan offers a better yield, but TransCanada's dividend-growth outlook is probably stronger over the medium term. In addition, the pipeline company's stock should get a nice boost if one of the mega-projects gets the green light.

As such, I would make TransCanada the first pick today.

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