



Does RioCan Real Estate Investment Trust or Enbridge Inc. Belong in Your RRSP?

Description

Canadians continue to search for attractive stocks to add to their RRSP portfolios.

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

RioCan

RioCan is trading near its 12-month lows as investors exit REITs amid fears of rising interest rates in the United States.

What's the issue?

REITs tend to carry high levels of debt, so an increase in rates bumps up borrowing costs. Rising interest rates also tend to make zero-risk investments more competitive with REITs and dividend stocks.

RioCan's management team has done a good job of preparing for the rising rate environment. The company sold off all of its U.S. assets last year and used a portion of the proceeds to reduce the debt position.

At the end of December, RioCan's leverage ratio was down to about 40% compared to 46% the previous year.

The company continues to see strong demand for its retail properties and has a number of developments on the go that should boost revenue in the coming years. This includes interests in 15 retail projects as well as a plan to build up to 10,000 residential units at its top urban commercial locations.

The housing project is in the early stages, but investors could see a nice bounce in cash flow if the concept takes off.

RioCan pays a monthly distribution of 11.75 cents per unit. Investors who buy now can pick up a 5.5% yield.

Enbridge

Enbridge just closed its \$37 billion purchase of Spectra Energy. The deal creates North America's largest energy infrastructure company and sets investors up for some strong dividend growth in the coming years.

Why?

The business now has \$27 billion in commercially secured projects under development. As these assets are completed and go into service, Enbridge expects to see cash flow grow enough to support annual dividend increases of at least 10% per year through 2024.

The current payout already yields 4.3%, so shareholders are looking at some nice returns in the medium term.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for an RRSP portfolio.

RioCan is starting to look a bit oversold and offers the higher yield, but Enbridge's medium-term dividend-growth outlook is probably stronger, so I would make the pipeline giant the first pick today.

CATEGORY

1. Dividend Stocks
2. Investing

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

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