

Income Investors: 2 High-Yield Stocks to Buy in This Overbought Market

Description

Stock markets are floating near all-time highs, and investors with some cash on the sidelines are wondering where there might still be reasonable opportunities.

Let's take a look at **Altagas Ltd.** ([TSX:ALA](#)) and **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) to see why they could be interesting picks.

Altagas

Altagas flies under the radar of investors looking to pick up an energy infrastructure name for their portfolios, but that might begin to change.

Why?

Altagas recently announced plans to acquire Washington D.C.-based **WGL Holdings** for \$8.4 billion. The deal is expected to close next year and should be immediately accretive to earnings.

In fact, management thinks cash flow will rise enough to support annual dividend increases of at least 8% through 2021.

Altagas also has several organic projects underway that will add new revenue streams. The company recently opened its 20 MW battery storage facility in California and is moving ahead with several projects in British Columbia.

These include a propane export terminal in Prince Rupert, NGL infrastructure in the Montney play, and the expansion of the Townsend gas-processing facility.

The stock has pulled back in the wake of the WGL announcement, giving investors an opportunity to pick up the shares at a reasonable price and lock in a 6.8% dividend yield.

RioCan

RioCan holds interests in more than 300 retail properties across Canada.

The company's sites remain in high demand with occupancy rates in 2016 hitting 95.6% compared to 94% the previous year.

Backfill in the space vacated by **Target** Canada is expected to replace at least 120% of the revenue lost when the retailer closed up shop.

During 2016, RioCan sold off its U.S. properties and used a portion of the roughly \$1.2 billion in net proceeds to shore up the balance sheet. As a result, RioCan finished the year with a debt-to-assets ratio of just 40% compared to 46% at the beginning of 2016.

This is important as investors have sold the stock down over the past several months amid fears that higher interest rates in the United States could put pressure on the company.

A steep hike in rates would be negative for the REIT industry, which tends to carry high debt levels, but the indication is that the Fed will move slowly, and RioCan's current leverage ratio should enable it to navigate the process without much trouble.

RioCan pays a monthly distribution of 11.75 cents per unit. That's good for a yield of 5.5% today.

Growth projects should drive higher revenue in the coming years and either bring down the payout ratio or support new distribution increases.

Is one more attractive?

Both companies offer payouts that provide above-average yield and should be sustainable.

Altagas probably has a better growth outlook in the medium term, so I would go with the energy infrastructure player as the first choice.

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