

2 Great Dividend Stocks I'd Buy Today

Description

Dividend stocks should be core holdings in every investor's portfolio, because as history has shown, they far outperform their non-dividend-paying counterparts over the long term. With this in mind, let's take a closer look at two with yields of 5-9% that you could buy right now.

Pattern Energy Group Inc.

Pattern Energy Group Inc. (TSX:PEG)(NASDAQ:PEGI) is one of the world's largest independent producers of wind power. It has a portfolio of 18 wind power-generation facilities, including one it has agreed to acquire. Pattern Energy has a total owned interest of 2,644 megawatts located across the United States, Canada, and Chile.

Pattern Energy currently pays a quarterly dividend of US\$0.41375 per share, representing US\$1.655 per share on an annualized basis, which gives its stock a mouth-watering 8.15% yield today.

A yield this high may make some investors uncomfortable and cast doubt on its stability, but it's actually very easy to confirm its safety, because Pattern Energy provides a cash flow metric called "cash available for distribution (CAFD)" in its earnings reports. In its fiscal year ended on December 31, 2016, its CAFD totaled US\$132.97 million, and its dividend payments totaled just US\$120.21 million, resulting in a sound 90.4% payout ratio.

On top of having a high and safe 8.15% yield, Pattern Energy has one of the market's most impressive track records of dividend growth. It has raised its quarterly dividend for 12 consecutive quarters, which puts it on pace for 2017 to mark the fourth consecutive year in which it has raised its annual dividend payment.

I think Pattern Energy will continue to be one of the market's best dividend-growth stocks going forward as well. I think its very strong CAFD growth, including its 43.8% year-over-year increase to US\$132.97 million in 2016 and its projected 5.3-24% year-over-year growth to US\$140-165 million in 2017, and its growing asset base that will help fuel future CAFD growth, including its 15.9% year-over-year increase in owned capacity to 2,644 megawatts in 2016, will allow its streak of annual dividend increases to continue through 2020 at the very least.

Granite Real Estate Investment Trust

Granite Real Estate Investment Trust ([TSX:GRT.UN](#))(NYSE:GRP) is one of the world's largest owners and operators of industrial real estate. Its portfolio currently consists of 92 income-producing properties with approximately 30 million square feet of rentable space located across North America and Europe.

Granite currently pays a monthly distribution of \$0.217 per unit, representing \$2.60 per unit on an annualized basis, and this gives its stock a gorgeous 5.7% yield at today's levels.

You can easily confirm the safety of this 5.7% yield by checking Granite's distributions as a percentage of its funds from operations (FFO). In its fiscal year ended on December 31, 2016, its comparable FFO totaled \$161.63 million (\$3.43 per unit), and its distributions totaled just \$114.29 million (\$2.43 per unit), resulting in a prudent 70.7% payout ratio.

In addition to having a high and safe yield, Granite is one of the REIT industry's best distribution-growth plays. It has raised its annual distribution each of the last four years, and its 8.3% hike in November has it positioned for 2017 to mark the fifth consecutive year with an increase.

I think Granite can continue to grow its distribution in the years ahead as well. I think its consistent FFO growth, including its 2.8% year-over-year increase to \$3.36 per unit in 2015 and its 2% year-over-year increase to \$3.43 per unit in 2016, and its improved occupancy rate that will help drive future FFO growth, including 99% at the conclusion of 2016 compared with 97% at the conclusion of 2015, will allow its streak of annual distribution increases to continue in 2018 and beyond.

Which should you buy today?

Pattern Energy and Granite REIT can provide your portfolio with high, safe, and growing dividends, making them strong buys in my book. All Foolish investors should take a closer look at each and strongly consider making at least one of them a core holding today.

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2. Investing

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1. TSX:GRT.UN (Granite Real Estate Investment Trust)

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