



2 Top Stocks to Buy for Income and Dividend Growth

Description

As income investors, we want to own stocks with high and reliable distributions, and the best ones to buy are those that can also grow their distributions over time. With this in mind, let's take a look at two income stocks with yields over 3.5% and track records of growing their distributions, so you can determine if you should invest in one of them today.

Parkland Fuel Corp.

Parkland Fuel Corp. ([TSX:PKI](#)) is one of the largest and fastest-growing independent marketers of fuel and petroleum products in Canada and the United States. Its product offerings include gasoline, diesel, propane, lubricants, heating oil, and other high-quality petroleum products, and its family of brands include Bluewave Energy, Columbia Fuels, Farstad Oil, Fas Gas Plus, Island Petroleum, Propane Nord-Ouest, RaceTrac, and Sparlings Propane.

Parkland currently pays a monthly dividend of \$0.09617 per share, equal to \$1.154 per share on an annualized basis, and this gives it a yield of approximately 3.9% today.

A 3.9% yield for an income stock is good, and the fact that Parkland also offers dividend growth makes it great. It has raised its annual dividend payment each of the last four years, and its two hikes in the last 14 months, including its 5% hike in March 2016 and its 1.8% hike last month, have it on pace for 2017 to mark the fifth consecutive year with an increase and have it on pace for 2018 to mark the sixth consecutive year with an increase.

I think Parkland is well positioned to continue growing its dividend beyond 2018 as well. Its consistent double-digit percentage growth of distributable cash flow (DCF), including its 12.2% year-over-year increase to an adjusted \$137.7 million (\$1.58 per share) in 2015 and its 10.8% year-over-year increase to an adjusted \$152.6 million (\$1.60 per share) in 2016, its conservative dividend-payout ratio, including 71.5% of its adjusted DCF in 2016, and its acquisition of the Canadian assets of **CST Brands Inc.**, which is expected to close in the second quarter and immediately be accretive to its DCF, will allow its streak of annual dividend increases to continue into the late 2020s at least.

Canadian REIT

Canadian REIT (TSX:REF.UN), or CREIT for short, is one of the largest diversified real estate investment trusts (REIT) in Canada. As of December 31, 2016, its portfolio consisted of 203 retail, industrial, office, residential, and development properties located across seven Canadian provinces and one U.S. state that contain approximately 33.4 million square feet of gross leasable area (GLA) with CREIT's ownership interest at 25.4 million square feet.

CREIT currently pays a monthly distribution of \$0.1525 per unit, equal to \$1.83 per unit on an annualized basis, giving it a yield of about 3.7% today.

On top of offering a solid 3.7% yield, CREIT has the longest active streak of annual distribution increases for a public REIT in Canada. It has raised its annual distribution for 15 consecutive years, and its 1.7% hike in May 2016 has it positioned for 2017 to mark the 16th consecutive year with an increase.

I think CREIT will continue to be the top distribution-growth play in the REIT industry in the years ahead as well. I think its strong growth of adjusted funds from operations (AFFO), including its 5% year-over-year increase to \$184.79 million (\$2.53 per unit) in 2016, its conservative AFFO payout ratio, including 71.9% in 2016, and its growing property portfolio that will help drive future AFFO growth, including its addition of six net new properties and approximately 500,000 square feet of owned GLA in 2016, will allow its streak of annual distribution increases to continue for decades.

Which of these top income stocks will you buy today?

Parkland Fuel and CREIT offer high, safe, and growing distributions, making them strong buys in my book. All Foolish investors should take a closer look at each and strongly consider initiating positions in at least one of them today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:PKI (Parkland Fuel Corporation)

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