Income Investors: These 2 Dividend Stocks Are Trading Below Book Values

Description

With the TSX continuing to struggle, it's not a bad option to secure some monthly dividends while waiting for stocks to pick up. A better option, though, is finding undervalued stocks that also pay strong dividends. In that case, you can have the best of both worlds: obtaining good monthly income while potentially seeing some strong upside from stocks trading below their book values.

Cominar REIT (TSX:CUF.UN) has a portfolio of over 500 properties which includes a mix of office, retail, industrial, and mixed-use buildings spread across Canada. The company's properties total over 44 million square feet and are most heavily located in Quebec and Ontario.

Currently, Cominar offers a surreal dividend yield of over 11% that is paid monthly. The company also has a long history of paying and increasing dividends going back to 1998. Although the company's payout ratio is a bit high, and the company acknowledges it will be over 100% temporarily, that ratio is expected to fall with new tenants.

Cominar has had to re-lease vacant space as a result of bankruptcies and the departure of **Target Corporation**. Although many clients have been secured to fill these voids, the new tenants are not yet occupying the spaces. Once the new clients are moved in and paying rent, the company's payout ratio will improve. Currently, Cominar's occupancy rate is just over 92%.

The company's stock is trading around 0.6 times its book value and less than 10 times its earnings. The year-to-date (YTD) share price is also down over 10%. With a depressed share price and low multiples, Cominar presents an excellent opportunity for value, growth, and dividend investors. The downside is that Cominar's properties do not offer as much diversification as other REITs do.

H&R Real Estate Investment Trust (TSX:HR.UN) owns almost 200 properties in Canada and the U.S., primarily retail and office spaces. Across all of its locations, H&R covers over 45 million in square footage. As of March, H&R's occupancy rate was over 95% of its available space.

The company pays a strong dividend of over 6.3% that is paid out monthly, and its payout ratio was 75% of its funds from operations in the last quarter. Although the company's dividend-paying history is not quite 10 years, it has a good record of paying monthly and also increasing its payouts.

H&R's stock price has fluctuated a lot so far this year and currently is down over 2% YTD. It has a higher price-to-earnings multiple (than Cominar) of 13, which may be expected given the company has a more diverse set of locations in addition to having higher occupancy rates. H&R currently trades at 0.9 times its book value (which is over $24).

Bottom line

Both of the stocks here present strong long-term growth opportunities with share prices that have underperformed and are paying very strong dividends. If you are feeling greedy, you could load up on Cominar's terrific dividends, but investing in both stocks would allow you to be a bit more diversified. Both stocks have good growth opportunities to increase in value, especially as both the Canadian and U.S. economies continue to grow.

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