2 Attractive High-Yield Stocks With Growing Dividends

Description

The Canadian market, represented by **iShares S&P/TSX 60 Index Fund** (TSX:XIU), offers a yield of 2.75%. The U.S. market, represented by **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY), offers a yield of 1.76%. So, stocks with more than double those yields certainly should be considered in the high-yield camp.

Plaza Retail REIT (TSX:PLZ.UN) is a small, underappreciated stock, which has declined 21% in the last 12 months. In the same industry, there's **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **SmartCentres Real Estate Investment Trst** (TSX:SRU.UN), which have fallen 9% and nearly 11%, respectively, in the same period.

If you believe the negativity around retail real estate investment trusts (REITs) is overdone, then you should take a look at these stocks for income.

So far, their fundamentals are holding up. Plaza Retail's, RioCan's, and SmartCentres's funds from operations (FFO) per unit increased 6%, 7%, and decreased 1%, respectively, last year. In the long run, their FFO per unit are estimated to keep pace with inflation.

Particularly, Plaza Retail now offers a yield of 7%, which we haven't seen before. That can scare some investors away. However, the REIT is well managed. Otherwise, it wouldn't have been able to increase its distribution every year since 2003.

Positives about Plaza Retail are that it has little exposure to Alberta (0.6% of its gross leasable area), and its largest tenants are Shoppers Drug Mart (subsidiary of **Loblaw**)(25.7% of base rent revenue), KFC (8.5%), and **Dollarama** (4.7%).

Plaza Retail's recent committed occupancy and FFO payout ratio is 95.2% and 77.1%, respectively, while its interest coverage ratio and debt service ratio have improved to 2.36 times and 1.68 times, respectively. So, its distribution remains safe and is supported by stable cash flow.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) hasn't traded at such a valuation since 2010. In addition, the stock experienced some dilution in 2017 after the Spectra Energy Corp. acquisition. When it recovers from that, we'll see a rebound of the shares.

The correction of 25% in the last 12 months is a good long-term entry point for the energy infrastructure leader, which has increased its dividend for 22 consecutive years, and more is expected to come. Currently, Enbridge offers a rich yield of 6.5%.

Investor takeaway

It's best to think of Plaza Retail as a stock which offers an above-average yield of 7% and has the potential to trade at $5.25 per unit (i.e., a multiple of 15) for 31% upside. That said, it could take a long time (if ever) for the market's negative sentiment on retail REITs to lift.

Enbridge offers a big yield of 6.5%. **Thomson Reuters's** 12-month consensus target is $56.70 per share on the stock, which represents 38% upside potential in the near term.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:PLZ.UN (Plaza Retail REIT)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)
5. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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