Income Investors: 2 Struggling Stocks With Growing Payouts

Description

The recent pullback in Canadian stocks is finally giving income investors a wide variety of attractive high-yield options for their portfolios.

Let's take a look at **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Altagas Ltd.** (TSX:ALA) to see why they might be appealing picks today.

RioCan

RioCan owns shopping centres across the country. That might not sound like a very good place to put your money with all the news of department store closures and the continued threat of online shopping, but RioCan is actually in very good shape, and demand for its properties is strong.

The company saw operating income rise 5.4% in 2017 compared to the previous year. Lease renewal retention rates increased from 85.8% in 2016 to 91.1%, and committed occupancy rose from 95.6% to 96.6%. RioCan has already replaced 130% of the lost Sears revenue and still has some space to fill.

RioCan's overall tenant base is diversified enough that no single client represents more than 5% of the company's revenue stream. As a result, the demise of Sears, while large in the sector, had limited impact on RioCan's operations.

Looking ahead, RioCan intends to sell 100 properties primarily located in secondary markets as it focuses on its six core cities. The company is making progress on its residential development projects and plans to build up to 10,000 residential units over the next 10 years at its top urban locations.

Regarding the monthly payout, management recently raised the distribution, and investors could see continued increases, as the new projects are completed and begin to generate revenue.

RioCan's unit price is down from $26 a year ago to $23.50, giving new investors a nice 6% yield.

Altagas

Altagas is an energy infrastructure company with gas, power, and utility businesses in Canada and the United States. Growth has come from a combination of strategic acquisitions and organic projects over the years, and that trend continues.

The company completed two projects in British Columbia late last year and is making good progress on the Ridley Island propane export terminal in the province. South of the border, Altagas is working through the $8.3 billion purchase of Washington, D.C.-based **WGL Holdings**. The deal is expected to close this year, and Altagas is forecasting annual dividend growth of at least 8% through 2021.

The existing assets are performing well, and management raised the payout by 4% last fall, so there can’t be too much concern about cash flow.

The share price of Altagas is down amid the broader sell-off in the utility and energy infrastructure sectors. Concerns about the WGL deal have also contributed to the drop from $31 a year ago to $23.50 today. As a result, the current dividend provides a yield of 9.3%.

Should you buy?

RioCan and Altagas offer above-average payouts that should be sustainable or even increase in the coming years. If you have some cash sitting on the sidelines and are willing to ride out the ongoing market volatility, these two companies might be worthy of a small position in your income portfolio.

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aswalker