



3 Value Stocks With Safe +6% Yields

Description

[Income from dividends](#) is a powerful part of total returns. Without accounting for the price appreciation that could come from the following stocks due to their undervalued status, their estimated total returns are still incredible at 8-12%. So, these stocks are compelling ideas.

AltaGas ([TSX:ALA](#)) stock has fallen about 16% from its 52-week high to roughly \$24.90 per share. Some investors worry about the [sustainability of the stock's dividend](#), which equates to a yield of 8.8% as of writing.

After AltaGas merged with WGL Holdings, it now generates about 75% of its normalized EBITDA from the United States and 25% from Canada. It also has about 80% of its normalized EBITDA with medium- and long-term agreements that improve the safety and stability of its cash flow.

Management sees growing AltaGas's dividend from 2019 through 2021. The energy infrastructure's dividend per share is almost 4.3% higher than it was a year ago. Assuming a conservative dividend-growth rate of about 3% from 2019 through 2021, an investment in AltaGas today can deliver total returns of about 12%.



Brookfield Property Partners ([TSX:BPY.UN](#))(NASDAQ:BPY) stock is about 13% lower than its 52-week high. The stock actually just popped +3% after it announced yesterday that it had completed the acquisition of GGP, which owns a portfolio of best-in-class malls.

Previously, Brookfield Property already owned a 34% stake in GGP. With the “doom and gloom” in the retail environment, Brookfield Property was able to acquire the rest of the company at a substantial discount from the high levels of 2015/2016.

In spite of the pop, Brookfield Property is still trading at a big discount from its highs. It wouldn't be surprising to see the limited partnership units trading 15% higher from current levels.

Right now, the stock offers a safe yield of just over 6%. Unitholders can expect future dividend growth to be 5-8% per year. That implies approximated total returns of at least 11%.

Plaza Retail REIT ([TSX:PLZ.UN](#)) trades at a price-to-funds-from-operation ratio (P/FFO) of about 12.5 at \$4.30 per unit, while it had traded at a P/FFO of 15 as recent as 2017. If it trades at a multiple of 15 right now, it will imply a price of about \$5.10 per unit or +18% upside potential.

In the last reported quarter, Plaza Retail's committed occupancy remained high at +95%. As well, its FFO payout ratio was sustainable at 86.5%.

The retail REIT currently offers a distribution yield of 6.5%. It has increased its distribution per unit every year since 2003. Assuming growth of about 2%, investors can get total returns of about 8.5% from an investment in Plaza Retail today.

Investor takeaway

Conservative estimates indicate that investing in AltaGas, Brookfield Property, and Plaza Retail today can lead to returns of 8-12% without accounting for the stocks' price appreciation to normal levels.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:PLZ.UN (Plaza Retail REIT)

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Date

2025/08/25

Date Created

2018/08/29

Author

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