3 Cheap Dividend Stocks Under $5 That Are Good Buys Today

Description

If you're looking for dividend stocks with a lot of potential upside, shares priced below $5 might be a good option for you. Since they're cheap, they can attract a lot of investors and can rise in value much more easily than higher-priced shares. Below are three stocks trading below this threshold that provide good value today.

Western Forest Products Inc (TSX:WEF) has generally done well, although in the past year the stock has struggled, sliding by more than 25% to around just $2 a share. Softwood lumber stocks as a whole haven't been doing too well lately, but over the long term they can provide a lot of growth, and it's an industry in which investors can find a lot of value in today. Construction of new homes and even natural disasters can easily spike up demand for the products, and with the population growing, it's an inevitable that we'll see better times ahead for Western Forest.

The stock has had consistent profits over the past five quarters and looks to be a safe buy. At a price-to-book (P/B) ratio of only 1.4 and a price-to-earnings (P/E) multiple of 10, it's a good value buy that also pays investors a decent dividend of around 4.4%.

Reitmans Canada Ltd (TSX:RET.A) is a retail stock that has still been able to produce strong results in an industry where shoppers continue go the online route. Apparel is still something many people prefer to try in-store, which gives the stock some hope that it can survive over the long term. Although the company didn't see any growth in its most recent quarter, sales have shown some consistency and Reitmans has been able to post a profit for the past two quarters.

The stock closed at $3.71 as of trading on Monday, and it's well below its book value at a P/B of just 0.7. While the stock isn't going to rocket up to $10 anytime soon, a good quarterly earnings result could easily give the stock a big boost, as in the past three months it's declined by 6%. Reitmans currently pays investors a dividend of over 5.3%.

Plaza Retail REIT (TSX:PLZ.UN) is another stock trading below its book value that could have a lot of potential to rise. The REIT has been remarkably consistent over the past four quarters, posting sales of $26 million during each of those reporting periods. According to the company, around 90% of its gross rent comes from national retailers.

The REIT might be perceived as a bit of a risk given its exposure to the retail industry, but overall we've seen a bit of stability there lately. While Sears Canada and **Target** have left noticeable voids in some shopping malls, aside from Toys "R" Us providing a recent scare, things have appeared to have stabilized.

Given that the stock is at a P/E of around 20, there isn't a lot of risk of the share being heavily overvalued. Generally it has stayed within a narrow range, which could be very valuable for a dividend stock that currently pays investors around 7% per year.

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2. TSX:WEF (Western Forest Products Inc.)

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