



## Buy Alert: Why I'm Loading Up on Shares of This 6% Yielder

### Description

I'm a dividend value investor, which means I'm looking for a few important things when I purchase a new stock for my portfolio.

Firstly, I'm looking for a company with a sustainable competitive advantage. This doesn't necessarily mean a better mouse trap; it could be as simple as solid real estate in good neighborhoods located in desirable communities. I just need something that can't be easily disrupted.

Next, I want a reasonable valuation. These days, that isn't particularly hard. Even though the **TSX Composite Index** is bumping up against new all-time highs, the market only trades at about 15 times 2020's estimated earnings. That means the average stock is pretty cheap, at least when compared to other investments or the average U.S. stock.

And finally, I want a company that pays a sustainable dividend with some long-term growth potential. Many investors insist on stocks that raise their dividends annually, but I don't need that. As long as the top and bottom lines are growing, and paying a dividend is important to management, I know I'll eventually get dividend increases.

There are dozens of stocks in Canada that check off these three boxes. Let me profile another one — a stock that happens to be the latest addition to my portfolio.

### A wonderful real estate portfolio

**Plaza Retail REIT** ([TSX:PLZ.UN](https://www.scribd.com/document/444444444/TSX-PLZ-UN)) has quietly put together a pretty solid portfolio. The company owns 275 different properties, spanning some 8.7 million square feet of gross leasable space. The portfolio is almost entirely located in the eastern part of the country, with assets in Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. It also owns a little bit of property in Alberta and Manitoba.

The REIT's largest tenant is Shoppers Drug Mart, with Canada's biggest pharmacy chain accounting for about 25% of total rents. Other top tenants include standalone KFC restaurants and a sample of

some of Canada's top retailers.

Plaza has done a wonderful job growing its portfolio over the years. 20 years ago, the company owned a little over one million square feet of space. It has expanded by both using an aggressive acquisition plan as well as developing its own property. Plaza's development arm continues to be busy today, with almost 1.5 million square feet of space in various stages of development.

Despite the solid portfolio and ambitious growth program, Plaza shares trade at a discount compared to many of its peers. Although fourth-quarter results aren't officially out yet, we can estimate Plaza will earn approximately \$0.40 per share in funds from operations in 2019. The stock currently trades hands at \$4.70 per share. That puts the stock at less than 12 times trailing funds from operations, which is a great price.

The [smart money](#) is also buying Plaza shares. K Rai Sahi, the man in charge of **Morguard** and someone who is widely considered to be one of Canada's top real estate gurus, was recently buying Plaza shares. Including Morguard's position and the stock he owns personally, Sahi owns some 15 million shares. That works out to a little less than 15% of the company.

## Get paid to wait

Plaza REIT also pays an [excellent dividend](#) with solid growth potential. The current payout is \$0.28 per share annually, which translates into a 6% yield.

Remember, Plaza is projected to earn \$0.40 per share in funds from operations in 2019 and should see some growth as new projects start increasing the bottom line in 2020. That gives us a payout ratio under 70% today with potential for 2020's payout ratio to be even better.

Plaza has a history of raising the dividend, doing so every year from 2004 to 2018. 2019 saw it maintain 2018's distribution, meaning investors should be able to look forward to another dividend increase in 2020. The payout ratio can certainly afford it.

## The bottom line

Plaza offers a solid payout with dividend-growth potential, a reasonable valuation, one of Canada's best real estate minds as a top shareholder, and a solid portfolio with a good growth plan. What more could you ask for? That's why I recently added this stock to my portfolio.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:PLZ.UN (Plaza Retail REIT)

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