Income Investors: I'll Bet You've Given This Dividend Stock Some of Your Money

Description

Dividend stocks deliver cold hard cash to your portfolio on a regular basis. You can withdraw the income for daily use, or turn it into more stock purchases.

The best dividend stocks have a record of sustainability. After all, what good is a stream of cash payments that ceases to exist a few years down the road?

Yet sustainability can be a tricky metric. How do we really know whether a company can maintain its dividend rate, even throughout a difficult recession?

One Canadian stock has a business model *specifically built* to withstand economic volatility. And while you likely don't recognize this company's name, I bet some of your spending dollars have ended up in its pocket.

Riding a giant

Canadian Tire Corporation Limited (TSX:CTC.A) is one of the most successful companies in Canada.

The retailer has nearly 100% name recognition with 1,700 locations. More than 80% of Canadians shop at a Canadian Tire store each year. Sales growth has been on the rise for more than a decade. The company's balance sheet is pristine, while the dividend offers a 3.2% yield.

But this is *not* a story about Canadian Tire. Rather, it's about the company that owns the land that Canadian Tire stores sit upon.

CT Real Estate Investment Trust (TSX:CRT.UN) owns 357 properties across all 10 provinces and two territories, the vast majority of which are leased by Canadian Tire stores.

Canadian Tire actually owns a big chunk of CT Real Estate stock, and has granted it the right of first offer on all CTC properties. This creates a tight-knit relationship that’s balanced to benefit both entities.

Because Canadian Tire is such a reliable tenant, CT Real Estate has some of the best metrics in the industry. It has a market-leading 99.1% occupancy rate, 95% of which is from investment-grade tenants. The average remaining lease term is 10 years, with built-in pricing escalators of 1.5% annually, giving the company a bulletproof portfolio of cash flow producing assets.

If you’ve ever shopped at a Canadian Tire store, some of your money has made its way to CT Real Estate. Though it remains under the radar, this REIT stock is one of the best deals in Canada. Shares offer a dividend yield of nearly 5%. Due to its operating strategy, this is one of the most reliable payouts available.

Management has also figured out how to provide long-term growth. Since 2014, shares have increased in value by 45%. That’s not even including the annual dividend.

In total, buy-and-hold investors have received double-digit annual returns by owning one of the safest stocks on the market. That’s quite a deal.

Looking ahead, all the factors that have fueled this historical performance are still in place. Over the last five years, cash flow has increased by 6.5% annually, helping bump the dividend rate in each of those years.

Canadian Tire remains one of the most powerful brands in the country. Even if a recession hits, CT Real Estate will be protected from its long-term contracts and reliable tenant base.

Looking for a stock that can build consistent wealth through dividends and capital gains? CT Real Estate looks like an ideal option, especially for risk-averse investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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