Dividend Stock Bargain: Buy This 7.1% Yield

Description

Markets are falling across the board. Even traditional safe-haven assets like gold are being pummelled. The best place to ride out the storm is dividend stocks.

Dividend stocks produce excess income that isn't required for reinvestment. Instead, these companies opt to pay out the extra cash directly to shareholders. Collecting dividend income during a downturn allows you to supplement your income or purchase more stock at bargain prices. Whatever you do with the cash is up to you.

As a result of dividend investing, many investors *outperformed* the market during the 2008 financial crisis. During the 2020 coronavirus crisis, expect income stocks to outperform again.

Fortunately, there's a Canadian dividend stock that delivers one of the most reliable payouts on the market. Due to the market pullback, shares now have a 7.1% yield — the highest in its history!

Discover this dividend stock

If you live in Canada, you're familiar with **Canadian Tire** (TSX:CTC.A). Founded nearly a century ago, it's one of the largest retailers in the country. More than 80% of Canadians shop at a Canadian Tire store every year, which has helped the company post positive annual sales growth over the last decade.

After the market drop, Canadian Tire stock now yields 5.1%. But wait a second. Wasn't this story about a stock that pays a 7.1% dividend? To discover that investment opportunity, you first need to look at Canadian Tire. Then find out who owns the real estate that these stores sit on.

Income you can trust

CT Real Estate Investment Trust (TSX:CRT.UN) has paid a steadily growing dividend since 2013. That's not a surprise considering it operates an incredibly stable business: it's the landlord for

Canadian Tire stores.

As of today, the company owns 357 properties across 12 provinces, totaling 27.6 million square feet of leasable space. Canadian Tire accounts for roughly 92% of its rental income. The remainder largely comes from adjacent stores.

Deriving the bulk of your sales from a single tenant comes with advantages and disadvantages. On the surface, it seems akin to putting all of your eggs in one basket. But as Warren Buffett often quips: “Put all of your eggs in one basket, and *watch* that basket.” After all, what good is a diversified portfolio of rent tenants if 20% of them leave during a recession?

When it comes to reliable customers, Canadian Tire takes the cake. It has a century-long history, a sterling reputation, An investment-grade credit rating, and ample liquidity. It also serves as a place for Canadians to shop for their basic needs, meaning demand won’t dip as much as other retailers when it comes to a recession.

Here’s the best part: CT Real Estate leases its properties to Canadian Tire on long-term contracts. The average remaining contract length is 10 years, most of which have annual pricing escalators of 1.5% to offset inflation. Some contracts don’t expire until 2039!

Even if the bear market crushes the economy, Canadian Tire would need to literally shutter locations to avoid paying CT Real Estate. That’s something it’s barely had to do throughout its history, even during the 2008 financial collapse.

These attributes make CT Real Estate a dividend stock you can trust. Now trading at a 7.1% yield, this is a perfect investment for income investors looking to ride out the storm.

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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