3 Cheap Dividend Stocks Yielding Up to 7%

Description

Even though the 2020 market crash is far behind us and the market, as a whole unit, has already recovered, the granular picture is a bit different. Some companies recovered too fast and too much (becoming overpriced), and their overvalued growth masked the inadequate recovery of the weaker stocks in the market.

So if you are hunting the desirable combination of cheap valuation and high yield, you have more choices than you would have pre-crash.

A social impact REIT

Dream Impact Trust (TSX:MPCT.UN) is a relatively young REIT founded in 2014. The company changed its name to include "impact" because it's now oriented more towards real estate investments and assets that create a positive social and environmental impact. The company is currently focused on four projects: An affordable housing project with 2,200 units, North America's only purpose-built indigenous hub, Brightwater, and Zibi – North America's most sustainable community.

If you wish to do something for the environment and want your financial decisions to reflect that, investing in a social impact business like DIT might be one way to do it. It's also a profitable investment. The REIT is offering a juicy 6.5% yield at a 106.3% payout ratio, which seems high, but the company has sustained its dividends through worse payout ratios. It's trading at a 21.8% discount from its pre-pandemic value and has a price-to-book of 0.8 times.

An energy company

On the other end of the spectrum, we have **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), a Calgary-based energy transportation and midstream service provider that has been growing its dividends for nine consecutive years. It operates over 18,000 km of conventional, transmission, and oil sands pipeline. It also processes natural gas, enough to heat up about 11.7 million homes.

Like **Enbridge,** Pembina is considered one of the relatively safer Dividend Aristocrats in a shaky energy sector because the company depends upon long-term pipeline contracts. Currently, it's also a very affordable high-yield aristocrat that's trading at a 32% discount. Its 6.9% yield comes with a payout ratio of 155%, which isn't ideal, but seeing the company's dividend history, it seems sustainable.

A venture capital REIT

Nexus REIT (TSXV:NXR.UN) is currently trading at a 9.4% discount from its pre-pandemic share price. But it's affordable from a valuation perspective as well. It's trading at a price-to-earnings of 4.4 and a price-to-books of 0.8 times. Its mouthwatering 7.6% yield comes with the safest payout ratio (31.99%) among these three cheap dividend stocks.

The company has partnered up with RFA capital, a group composed of RFA bank and RFA development, which has allowed Nexus access to a broader selection of properties. Its commercial properties portfolio is made up of 39 industrial, 22 retail, and 14 office properties. It has been growing its revenues consistently for the last six years.

Foolish takeaway

The average yield these three stocks offer is about 7%. These stocks are cheap, fairly or undervalued and are highly likely to sustain or even grow their payouts in the future. Even if another market crash is not a possibility, adding some cheap dividend stocks in your portfolio before they fully recover and the yield goes down is a smart way to create a relatively dependable dividend income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:NXR.UN (Nexus Real Estate Investment Trust)
3. TSX:PPL (Pembina Pipeline Corporation)

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Author
adamothman