2 High-Yield Dividend Stocks at Rock-Bottom Prices

Description

Income opportunities opened up for dividend investors due to the COVID-19 pandemic. There was panic selling in March 2020 before the Toronto Stock Exchange (TSX) gradually rebounded and erased the market losses. The rally continues in 2021, although some high-yield dividend stocks remain cheap, if not trading at rock-bottom prices.

A real estate investment trust (REIT) and an energy stock are in a slump. You can own initiate positions in either and earn handsome passive income from their high dividend yields. Don't discount the possibility of a rebound if the government contains the pandemic with a successful vaccination campaign.

Recovering REIT

Plaza Retail (TSX:PLZ.UN) pays a hefty 7.65% dividend and trades at only $3.66 per share. This $372.5 million REIT's portfolio consists of open-air centres and standalone, small retail outlets. Everyone knows that the lockdowns severely hit the retail sector. Fortunately, the majority of the tenant base (90%) are national retailers.

About 48% of revenues come from retail tenants providing essential needs. Likewise, 46.8% of the properties are in the progressive provinces of Ontario and Quebec. In the nine months ended September 30, 2020, Plaza Retail reported a $5.3 million decline in net operating income (NOI) due to lease buyouts in 2019. The net loss was $24.2 million versus the $43.3 million total comprehensive income of $43.3 million for the same period last year.

Meanwhile, the stock price fell to its lowest ($2.51) on April 2, 2020. In Q3 2020, things are returning to normal following the increase in gross rent collections from 81.9% in Q2 2020 to 94.8%, not counting the Canada Emergency Commercial Rent Assistance portion.

Trusted pick

Pembina Pipeline (TSX:PPL)(NYSE:PBA) remains the top monthly income stock. The $19.37 billion energy infrastructure company pays a high 7.08% dividend. This energy stock has raised its dividends in the last 22 years. Also, monthly dividend payers are hard to come by these days. Pembina Pipeline is the trusted pick owing to its Dividend Aristocrat status.

The share price was $49.14 in late February 2020 before tanking to $15.35 on March 18, 2020. However, Pembina is slowly rising from the ashes. As of February 12, 2021, the share price is $35.22, or 129% higher than its COVID-low. Still, the current price is relatively cheap and a good entry point. Analysts forecast the stock to climb 19% to $42 in the next 12 months.

Despite the massive headwinds, management did not move to cut dividends. Pembina will continue to generate robust fee-based cash flows because the cost-of-service or take-or-pay arrangements with customers under long-term contracts. Hence, it insulates the company from volume and price risks.

Understand the risks

Plaza Retail and Pembina Pipeline are the high-yield stocks you can own at depressed prices. If you're maxing your Tax-Free Savings Account this year, consider one or both cash cows. The average yield is 7.36%, which means your $6,000 can generate $441.60 in passive income.

Investing in the REIT and energy stock is not without risks. Understand the challenges each company faces in their respective sectors. It could be rough sailing or a potential rally if the economy can quickly recover in the post-pandemic era. The energy sector is up 14.76% year to date, while the real estate sector is ahead by 5.06%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PLZ.UN (Plaza Retail REIT)
3. TSX:PPL (Pembina Pipeline Corporation)

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