5 of the Best Canadian Dividend Stocks to Buy in May 2021

Description

As the Canadian stock indices continue to rise, it is becoming increasingly difficult to find attractive dividend stocks. Frankly, many value stocks, such as financial, commodities, and materials, stand to benefit from the potential for higher inflation and interest rates. Fortunately, there has been a bit of a market rotation, which I believe presents attractive opportunities now and for the longer term. Given this, here are five Canadian dividend stocks that look like a decent bargain today.

Canadian renewable stocks are dividend machines

Canadian renewable stocks had a very strong run in 2020 and early 2021. However, many of these stocks reached valuation multiples largely beyond their historical range. Consequently, they have been pulling back over the past few months. Yet, many of these stocks have very long growth runways. To meet decarbonization initiatives, the world needs more renewable power. I believe **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) is perfectly set up for this theme.

It is one of the largest pure-play renewable power operators in the world. It has irreplaceable hydro assets, which are complimented by on-shore/off-shore wind, solar, and distributed generation assets. Today, this Canadian stock produces over 20,000 megawatts (MW) of power. However, it has a development pipeline of over 27,000 MW in the works. The company has a great balance sheet, smart managers, and it pays an attractive 3.4% dividend. This stock has a history of raising its dividend by 6-9% a year and I expect more of the same going forward.

Algonquin Power (TSX:AQN)(NYSE:AQN) is another Canadian stock playing into this theme. Its operations are more diversified with a focus on regulated water, natural gas, and electric utilities. However, it also has a substantial business operating and developing renewable power assets. Most of its assets are in the U.S., so I believe it is really well-suited to benefit from the Biden infrastructure spending plan.

Likewise, the company has an aggressive capital plan that should accrete annually 12-15% adjusted EBITDA growth for the next four to five years. The company pays a 4% dividend and it just raised that payout by 10%. This stock is safety and growth combined.

A safe cyclical stock to own for yield

Unlike the above two Canadian stocks, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) has been chugging higher over the past few months. The uptick in oil prices coupled with improving sentiment toward cyclicals are finally giving this stock some air. Yet, it still trades with a very attractive 6.7% dividend. That dividend is exclusively supported by its highly contracted pipeline business, so it is very safe.

Pembina has a very prudent management team and a solid balance sheet. As the oil environment improves, it should see some nice organic growth in its current assets. Likewise, it has multiple projects set to expand. This stock should benefit from a steady economic recovery out of the pandemic, so I think the set-up looks good here.

Two attractive Canadian real estate stocks

BSR REIT (TSX:HOM.U) owns and operates garden-style apartments exclusively in the U.S. sunbelt states. Its apartments are located in cities like Dallas and Austin. These are top American municipalities for job growth, population growth, and migration. Recently, the company has made some very attractive acquisitions that improve both the quality of its portfolio and the opportunity for rental rate growth.

Despite strong fundamentals, this REIT trades at a meaningful discount to peers. Consequently, I believe there is some significant upside in this stock. This REIT pays an attractive 4% dividend and it is great stock to own as a hedge against inflation.

Another interesting real estate play is **Dream Industrial REIT** (TSX:DIR.UN). It owns multi-tenanted industrial, warehouse, and logistics properties across Canada, the U.S., and Europe. This Canadian stock has been benefitting from very strong rental demand for warehousing and logistics properties. As a result, it is enjoying strong rental rate growth and high occupancy.

This REIT has a very low-levered balance sheet, ample room for acquisition/development growth, and well-located properties that garner consistent tenant demand. This stock is a great way to play the e-commerce last-mile boom and still collect an attractive dividend. This stock pays a 5% dividend today.

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

6. TSX:DIR.UN (Dream Industrial REIT)
7. TSX:HOM.U (BSR Real Estate Investment Trust)
8. TSX:PPL (Pembina Pipeline Corporation)

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