Buy the 3 Best Dividend Stocks in Canada

Description

The best dividend stocks provide a nice yield, dividend growth, and extraordinary price appreciation. The idea is to collect decent and growing passive income while expecting long-term total returns that are remarkable.

Here is a filtered list of Canadian Dividend Aristocrats that are among the best Canadian dividend stocks to buy right now. If not trading at nice discounts, they are at least fairly valued.

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One of the best dividend stocks in Canada

Savaria (TSX:SIS) is a global company selling in more than 40 countries, providing accessibility solutions for the physically challenged to increase their comfort, mobility, and independence. Its 10-year total returns are approximately 30% per year.

The stock is making a comeback from the pandemic disruptions last year. Its revenue was essentially flat in the last 12 months, but last quarter, it generated year-over-year revenue growth of 27%. Year to date, the stock has appreciated about 38%.

Currently, Savaria yields 2.4%, and it tends to increase its dividend. Its 10-year dividend-growth rate is 18.7%. The industrial stock is undervalued by about 14%, which represents near-term upside potential of roughly 16%.

InterRent REIT

InterRent REIT (TSX:IIP.UN) is a growth-oriented real estate investment trust (REIT) in the multi-residential industry. Its 10-year total returns are approximately 26% per year.

The company's results were resilient in 2020 during the pandemic. Average rent per suite increased by 4.4% to $1,315 in December 2020 versus a year ago, although the occupancy rate declined by 4.3% to 91.3%. Its net operating income (NOI) climbed 6.2%. The same-property NOI improved marginally by

0.7%. Its funds from operations (FFO) climbed 10.9% for the year. On a per-unit basis, its FFO was still very resilient by falling only 3.5%. As a result of its defensive portfolio, the REIT was able to maintain its dividend-growth streak.

Year to date, the stock has appreciated about 18%. At writing, InterRent REIT yields 2%. Its 10-year dividend-growth rate is 10%. The stock is reasonably valued.

Fronsac REIT

Fronsac REIT (TSXV:FRO.UN) is a diversified REIT that employs a triple-net and management-free lease business model, which allows it to save tonnes of costs.

Moreover, its tenants are primarily grocery stores, gas stations/convenience stores, and quick-service restaurants, which have been relatively defensive against economic lockdowns triggered by the pandemic. Therefore, its occupancy rate was incredibly high at 99% in 2020, whereas historically, it was at 100%.

Its 10-year total returns are approximately 24% per year. Year to date, the dividend stock appreciated 19%, boosted by Q1 results that saw NOI growth of 49% and FFO per unit growth of 27% year over year. At writing, Fronsac REIT yields 3.8%. Its five-year dividend-growth rate is 10.8%. The stock is reasonably valued.

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Food for thought

Between the three top dividend stocks, here are some key facts to take note of. Savaria stock is more sensitive to economic cycles. Slower growth occurred last year, which is why the stock could be making a big comeback in the near to medium term.

Because of its resilience in a defensive asset class, InterRent REIT tends to trade at a premium valuation. So, the stock could appear to be super expensive at a forward P/FFO of about 31, when it'd be considered roughly fairly valued versus its normalized historical valuation.

Fronsac REIT has proved to be a high-quality income stock that generates highly predictable cash flow that tends to grow. However, it has low trading volumes. So, interested investors should consider setting limit orders with specific buy prices to prevent any surprises from the potential wide discrepancy between the bid and ask prices.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)
2. TSX:SIS (Savaria Corporation)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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Date
2025/08/24
Date Created
2021/06/08
Author
kayng

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