Top 3 Undervalued Passive-Income Stocks for 2022

Description

2022 is shaping up to be an excellent year for passive-income investors. Valuations are dipping lower as we enter the new year, which means dividend yields are higher. It also means the risk of each opportunity is relatively lower than it was in 2021.

With that in mind, here are the top three most underrated passive-income opportunities for 2022.

Passive-income stock #1

SmartCentres REIT (TSX:SRU.UN) is a top pick for steady, consistent returns. The company's portfolio is anchored by the world's largest retailer, which makes its cash flows much more reliable. These retail tenants are considered essential businesses, so even the new variant of the COVID-19 virus won't derail the company's stream of cash.

Meanwhile, the SmartCentres team has been actively diversifying the portfolio. The company's SmartLiving segment focuses on residential rental properties across Canada. Many of these properties are located in urban centres such as Toronto, Ottawa, and Laval. Exposure to residential apartments bolsters the investment case here.

There's also some innovation on the retail front. SmartCentres Penguin Pick-Up locations allow the company to be part of the last-mile of the e-commerce value chain. By making online shopping and local pick ups more convenient, SmartCentres has exposed itself to growth in the thriving e-commerce space.

The stock trades at a price-to-earnings ratio of 16 and a price-to-funds from operations (FFO) ratio of just 13.7. It offers a 6% dividend yield, which is much higher than the average dividend stock right now.

Passive-income stock #2

Killam Apartment REIT (TSX:KMP.UN) is yet another real estate opportunity for passive-income seekers. Unlike SmartCentres, this company is primarily focused on residential apartment units. Its portfolio is spread across the country from Stratford to Victoria.

Residential real estate is in an unprecedented boom. As the pandemic recedes, the government has turned its attention to meeting its immigration targets. Canada expects to add roughly 400,000 new residents every year for the foreseeable future. These newcomers face an acute shortage of housing, which has pushed rents and home value higher.

Killam benefits from this trend. The stock has doubled in value since immigration targets were raised in 2016. Despite that surge, it’s still undervalued. Killam stock trades at a P/E ratio of just 9.4. There’s plenty of room for capital appreciation and dividend hikes here.

Passive-income stock #3

Alaris Equity Partners Income Trust (TSX:AD.UN) is the only one on this list that isn’t involved in real estate. Instead, the Alaris team offers growth capital to small- and mid-sized private companies in return for preferred equity. Preferred equity offers a fixed, high-yield dividend, which the Alaris team passes onto its shareholders.

At the moment, Alaris stock is trading at $17.9 and offers a 7.4% dividend yield. It’s the most lucrative dividend stock on this list. But it’s also the riskiest. If you’re looking for above-average passive income, keep an eye on this one.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:KMP.UN (Killam Apartment REIT)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Date
2025/08/20
Date Created
2021/12/19
Author
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