



Passive Income of 5%: Dividend Stocks You Don't Wanna Miss!

Description

Passive-income investors probably want juicy income now. Here are a couple of discounted [dividend stocks](#) that you will want to research further now.

A monthly dividend payer yielding 5%

As far as my data shows, **Exchange Income Corporation** ([TSX:EIF](#)), or EIC, has paid an increasing dividend since 2006. That's a strong dividend payment track record. In that period, it has either increased or maintained its dividend.

Management is proud of building a diversified and acquisitive company that's focused on opportunities in aerospace, aviation, and manufacturing. Looking at the long-term results, the company is subject to impacts from the economic cycle. However, through the pandemic, the diversified company has delivered very stable results in terms of operating cash flow generation. Even on a per-share basis, its operating cash flow moved higher every year since 2018.

This year, its payout ratio is estimated to be about 30% of its operating cash flow, which is at the low end of its historical range. After reporting its first-quarter results, EIC increased its monthly dividend by almost 5.3%. At about \$48 per share at writing, the reasonably valued stock yields close to 5%.

Notably, the company reports a more telling payout ratio metric — free cash flow less maintenance capital expenditure payout ratio. Its 2021 payout ratio was 62% on a diluted basis, which was a big improvement from 78% in 2020. As a result, its juicy dividend should be safe.

As the economy normalizes from the pandemic, a rebound in the industries that EIC operates in should drive greater growth in the near term. Management had a positive outlook when reporting its Q1 results. It projects adjusted EBITDA growth of about 27% and 24%, respectively, in 2022 and 2023. Any new acquisitions or growth capital spending would increase this outlook.

Dream Industrial REIT yields over 5%

Dream Industrial REIT ([TSX:DIR.UN](#)) is another big-dividend stock that yields around 5%. The company owns, operates, and manages a diversified portfolio of industrial real estate properties in Canada and Europe. About 63% of this portfolio is in Canada that's focused on the Greater Toronto Area and Greater Montreal Area. Additionally, it also has a stake of roughly 21.5% in a private U.S. industrial fund. In total, it has exposure across approximately 244 assets.

Dream Industrial is in a good industry. It continues to enjoy a high and stable occupancy that's over 98%. Its weighted average lease expiry is about 4.6 years. Management also sees mark-to-market potential to drive rent growth.

The monthly dividend stock has corrected more than 20% from its 52-week high. Perhaps it's due to news of recent interest rate hikes. In reality, though, the REIT's trailing-12-month interest expense is actually 29% lower than it was in 2019 thanks to lower rate exposure in Europe, while it has grown its assets and revenues. It's a good time for passive-income investors to dig deeper into the stock, which yields close to 5.2%.

At \$13.47 per unit at writing, the analyst consensus 12-month price target suggests a discount of over 27%. At the end of Q1 2022, Dream Industrial's net asset value (NAV) was \$16.48 per unit. So, it trades at an 18% discount from its NAV.

Notably, Canadian [REIT](#) cash distributions are taxed differently from dividends depending on their components. The return of capital is tax-deferred income that reduces your cost basis and is ultimately taxed like capital gains. Other income and foreign income are taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:EIF (Exchange Income Corporation)

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