3 Dividend Stocks That Could Beat Inflation!

Description

Across the world, inflation is surging to record highs. The rate has already climbed to 8.6% in the U.S., and the Bank of England expects the annual rate to hit 11% by the end of this year. By comparison, Canada's inflation rate is lower at 6.8%. But that rate is still too painful.

At 6.8%, most stocks fail to generate value. Capital gains and dividend yields need to be closer to 7% just to *preserve purchasing power.* The average dividend yield is just 2%. But there are a handful of high-yield dividend stocks that could potentially beat inflation. Here's a closer look.

Slate Office

Slate Office REIT (TSX:SOT.UN) is one of the few real estate investment trusts with an attractive dividend yield. The stock offers 8.6% at current market price. That's well above the ongoing inflation rate.

The company's office units across Canada, U.S., and Ireland saw a dip in occupancy rates during the pandemic. But now, occupancy is quickly climbing as employees head back to the office. At the end of the second quarter of 2022, Slate's occupancy rate was between 75% and 90% across its 55 units.

The stock is also relatively undervalued, trading at a 41% discount to net asset value and just 10 times adjusted funds from operations. Investors seeking a robust dividend stock should add this one to their list.

Slate Grocery

Another Slate entity looks just as attractive. **Slate Grocery REIT** (TSX:SGR.U) has held up better than most real estate companies. The American grocery chains that occupy its units are essential businesses that saw no dip in sales during the pandemic. As such, occupancy has been consistently high throughout the crisis.

Total occupancy was 93.2% at the end of the first quarter of 2022. The company expects rents to rise this year, further boosting cash flow. That should allow the company to sustain a healthy dividend payout.

At the current market price, Slate Grocery offers a 7.5% dividend yield.

Enbridge

Oil and gas companies are in the strongest position right now. The ongoing energy crisis is a key driving force behind the inflationary wave. That means energy companies should see further upside if inflation remains elevated.

Energy transportation giant **Enbridge** (TSX:ENB)(NYSE:ENB) is a top pick. The company's earnings are far less volatile than oil producers. That's because its revenue is based on the volume of oil transported across North America. This year, volumes are expected to exceed pre-pandemic levels, as North America exports oil and gas to Europe.

Enbridge offers a 6.5% dividend yield, which is on par with inflation. However, this payout is likely to surge in the years ahead, as we deal with the ongoing energy crisis. Put simply, Enbridge could be the ideal inflation hedge in this environment.

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