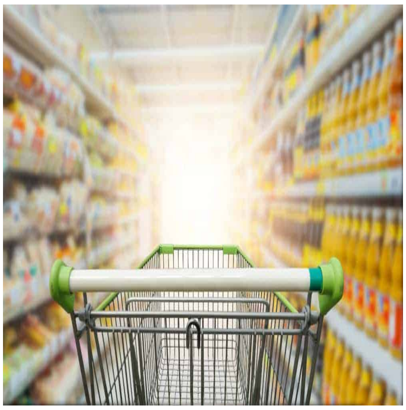

This 8% Dividend Stock Can Beat Inflation and a Recession

## Description

Investing for passive income is rarely easy. The yield on your savings account, dividend stock, and rental property is probably too low. The *real* yield is even lower when you consider the impact of inflation, which is currently running at an annual rate of 8.1%. Add to that the risk of a potential recession and you can see why this is a tough year for investors.



However, some niche stocks are more resilient than the rest of the market. Here's a high-yield dividend stock that is likely to beat inflation and recession in the months ahead.

# Grocery real estate

**Slate Grocery REIT** (TSX:SGR.U) is probably one of the more reliable dividend stocks on the market. The company owns and operates a portfolio of properties for grocery stores across the U.S. Altogether, the company leases out 13.2 million square feet of commercial space across 107 locations in 23 states.

Much of the portfolio is anchored by well-known brands like **Amazon, Wal-Mart,** and **Costco**. According to the company's latest report, 95% of its units are occupied. 68% of its tenants could be considered "essential businesses." That probably means they're low-cost grocery stores or pharmacies.

These discount retailers and pharmacies are highly resistant to inflation and recessions. American consumers are unlikely to cut back on household essentials or medicines no matter how bad the economic climate is. That's what makes Slate's cash flows relatively reliable.

To add another layer of protection, 97% of Slate's agreements are "net leases." That means the tenant is responsible for paying utility bills, property taxes, insurance, and maintenance costs. Slate is immune to rising cost pressures in these areas, which makes the cash flow even more robust.

## Fundamentals

Slate Grocery stock is flat year to date. Meanwhile, underlying earnings are expanding. Based on management's forecast, the company could generate significant Adjusted Funds From Operations (AFFO) in 2022. However, the stock trades at just 12.5 times AFFO per share. That's lower than most of its peers.

In fact, Slate's dividend yield is also higher than many of its peers. At the time of writing, SGR offers a 7.9% yield. That's nearly in line with inflation across North America.

The company is actively trying to expand its footprint during the market correction. In June, it paid US$425 million (C$546 million) to acquire 14 new properties at an average capitalization rate of 6.9%. These deals could push cash flow higher and unlock incremental value for long-term shareholders.

## Bottom line

Investing for passive income during a recession is complicated. Companies could see a decline in earnings as the economy dips, which could lead to dividend suspensions and cutbacks. However, some essential businesses should continue to thrive despite the economic downturn. Slate Grocery REIT is a prime example of an inflation- and recession-resistant dividend stock. Keep an eye on this opportunity.



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