



## 2 Ultra-High Dividend Stocks With Once-in-a-Decade Low Prices

### Description

They say you have to be brave and take risks to make money in stocks. I would quote Mufasa from *The Lion King*: "I'm only brave when I have to be. Being brave doesn't mean you go looking for trouble." Taking risks doesn't mean buying troubled stocks rising on noise. For instance, buying **Cineplex** stock at \$12 is taking an uncalculated risk. The company faces high debt and losses with no significant long-term demand growth.

### Two ultra-high dividend stocks to buy the dip

The third-quarter earnings hinted at the early impact of high inflation and rising interest rates on several companies' net income. Sometimes, stocks fall due to uncertainty around the macroeconomic environment and sometimes due to weaker-than-expected [fundamentals](#). But stocks with long-term demand can bounce when the economy recovers.

The first phase of the rally was visible from October 12, when the TSX Composite Index jumped 12% in fewer than 50 days. Even the dividend stocks that don't see significant price momentum jumped 8-20% as a slowdown in interest rate hikes bought relief to the already stretched budgets of companies and individuals.

Now is the time to be brave and lock in ultra-[high dividend yields](#) at prices you might never get for another decade.

### Slate Office REIT

**Slate Office REIT** (TSX:SOT.UN) is a small-cap commercial real estate investment trust (REIT) that offers more than 8% distribution yield. It has 53 commercial properties in Canada, with 81.9% occupancy. Amid rising interest rates, the REIT's weighted average debt interest rate increased to 3.9% from 3.3% last year. But that did not impact its distributions.

The REIT's growth strategy is to have a high credit-ranking tenant base that can attract other

companies and increase occupancy. A large-cap REIT has over 97% occupancy, but that limits its growth. At 82% occupancy, Slate Office has ample room to lease more property.

In the [third quarter](#), Slate Office REIT disposed of a Toronto property to buy a Chicago property that has a 10-year lease with **Pfizer** and a significant occupancy upside. The management is conducting a strategic review to dispose of low-yield properties and buy high-yield properties with an attractive tenant base. This strategy, if implemented effectively, could increase the REIT's occupancy and help it generate higher rent.

You can buy Slate Office REIT stock at a 22% discount from its pre-pandemic level and lock in an 8.65% yield. The REIT halved its distribution in 2019, but it can now sustain its \$0.40 annual distribution with a payout ratio of 75.9%. It is a once-in-a-decade opportunity to buy a commercial REIT at depressed prices. (The last time property prices fell was in 2009.) When the economy recovers, Slate Office REIT stock could bounce to its pre-pandemic levels — a 27% upside.

## Another stock with an 8.5% dividend yield

The non-bank lender for income-generating real estate investors, **Timbercreek Financial** ([TSX:TF](#)), benefitted from the interest rate hike. Yet the company's stock price fell 14% from mid-August to early November. But the stock jumped 6.5% after it released strong third-quarter earnings on November 10. Its distributable income surged as a 175-basis-point (bps) interest rate hike in July and August increased its weighted average interest rate to 8.5% from 7.2% in the previous quarter.

Timbercreek provides (one- to five-year) short-term mortgages, of which 93% are floating rates. Hence, interest rate hikes increase its interest income but reduce loan origination volume. Lower loan origination almost halved (47.6% year over year) its lender fees. The \$8 billion jump in interest income more than offset the \$1 billion dip in lender fee income.

Timbercreek management expects to continue paying monthly dividends of \$0.0575 per share, as its adjusted payout ratio of 86.2% is within the expected range. It is a once-in-a-decade price to lock in an 8.53% dividend yield before the stock recovers. Once property prices rise, Timbercreek stock could return to its average price of over \$9.5, representing 17% upside.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:RPR.UN (Ravelin Properties REIT)
2. TSX:TF (Timbercreek Financial Corporation)

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