1 Oversold Dividend Stock (Yielding 6.5%) to Buy in the New Year

Description

Growth stocks are out, and companies returning capital to shareholders are in. That's the clear message this market is providing to most investors looking to allocate fresh capital to equities. Thus, finding a top dividend stock may be a much bigger win in 2023 than looking for growth — that is, if what we saw last year will play out again this year.

The real estate market is one that's historically performed very well over the past two decades. That said, following a tumultuous 2022, analysts are not highly optimistic about the future of the Canadian real estate stock market. For funds like **SmartCentres REIT** (TSX:SRU.UN) that focus on retail real estate, perhaps even less so.

Thus, this real estate investment trust (REIT) that carries a dividend yield of 6.5% may be on the out for many investors. Here's why I think it's actually a great buying opportunity right now.

SmartCentres: A REIT with comparatively low risk

SmartCentres REIT is an intriguing opportunity from a risk/reward perspective. Some serious insider buying activity has been reported in this stock, which indicates some smart money investors certainly think this is the case. And while insider transactions generally don't indicate much, the breadth and size of recent transactions is notable, particularly for this lesser-known stock.

The REIT's 6.5% dividend yield has clearly invited a number of passive-income investors to consider SRU units. While based on cash flows from mixed-use real estate (mostly retail, but a mix of residential and office as well), this high yield does improve this stock's risk/reward scenario further. Thus, for those looking for total returns, at least half of those returns are likely to come from dividend distributions from this REIT.

The best part about this REIT's cash flow position is around 60% of the company's anchor tenants are mega-cap blue-chip names, generating a significant portion of the trust's overall income.

Bottom line

Most REITs have seen very impressive performance since the start of the pandemic. Much of this has been due to record-low interest rates, and a surge in growth among real properties and alternative investments.

That said, with market sentiment clearly turning around, SmartCentres REIT may be a buy on any dips moving forward. I think this is a stock that could see considerable downside from here, especially if momentum remains bearish. However, for those with a long-term investing time horizon, this could make this stock very attractive as a buy in 2023.

Considering this trust's historical record, there's plenty of upside potential to be had owning this stock at these levels. Sure, more near-term downside could be possible. But over the long run, this is a top dividend stock to own here, in my view.

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Author
chrismacdonald