1 Oversold Dividend Stock (Yielding 6.5%) to Buy This Month

Description

The Canadian real estate market witnessed a grueling year in 2022, as interest rate hikes ravaged investor sentiment for risk assets. Indeed, for real estate stocks paying high dividend yields, it's been a rather rough go over the past 12 months.

That said, there's reason to believe that this sentiment could be about to shift. The Toronto Regional Real Estate Board (TRREB) even recently suggested that the market outlook will take a positive turn in 2023.

The earnings from the Canadian residential real estate market have witnessed 24% year-over-year growth over the last three years. The real estate market has been projected to grow at a rate of 10% over the growth period of 2023-28. Accordingly, as longer-term revenue growth continues to hover around the 6% range, it's clear that there's some strong long-term trends to ride higher.

With this in mind, **SmartCentres REIT** (TSX:SRU.UN) may be an excellent option to consider on dips moving forward. This real estate investment trust (REIT) now pays a dividend yield of more than 6.5% and is among the more overlooked options in this space, in my view.

SmartCentres REIT sees impressive insider investment

It is excellent news for shareholders when insiders keep investing in the company's shares, and this has happened in the case of SmartCentres REIT. Also, long-term investors should keep an eye on what the insiders are doing.

Over the last 12 months, insiders have shown interest in only purchasing SmartCentres shares and not selling them. The biggest purchase was made by Executive Chairman & Chief Executive Officer Mitchell Goldhar for approximately $6 million worth of shares at about $25.58 per share. Currently, insiders own 8.9% of this company.

However, SRU has the largest group of individual investors with 68% ownership. This means that the company’s investor base is broad — something new investors ought to like.

Stable fourth-quarter earnings reported by this dividend stock

SmartCentres has recently announced its fourth-quarter (Q4) and full-year earnings report in February 2023. Gross rental income for Q4 has increased by $2.2 million, up by 1.7% from Q4 2021.

The REIT’s funds from operations (FFO) increased by $1 million, a 1.1% hike when compared to Q4 2021. And for 2022, FFO has increased by $9.6 million or 2.7% when compared to 2021.

Additionally, **CIBC** (TSX:CM) has raised its target price from $33 to $34 for SmartCentres REIT. The firm currently has a market capitalization of $3.64 billion and a price-to-earnings ratio of 3.51.

SmartCentres REIT currently offers an impressive dividend yield of 6.5% and has a payout ratio of over 90%. Most likely, it will need to boost its income from rental properties to mitigate the risk of rising interest rates.

Bottom line

A large part of the shareholders of SmartCentres REIT consists of individual investors, even though the institutional ownership is commendable. With a dividend yield of 6.5%, it is quite evident that if you invest in this stock with a long-term objective, you will be rewarded with quality dividend payments.

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