



Buy This 1 Low-Risk REIT Stock in December to Lock In a 5.89% Dividend Yield

Description

I love investing in rock-solid stocks that have market capitalizations under \$1 billion and that don't have a lot of investors or analyst coverage.

This is because if I play my cards right, I can usually make a 10% annual return while the company is on the smaller side but once analysts start covering it, I find that there is a "pop" of 20-30% in the stock price.

This pop creates a step jump for the stock, and it rarely goes back down to previous levels, because there is a new normal and new demand to buy the stock from retail and institutional investors alike.

Finding rock-solid companies under \$1 billion in market cap is really hard, but there are a few out there for savvy investors to dive into. One of those investments is, without a doubt, **Plaza Retail REIT** ([TSX:PLZ.UN](https://www.scribd.com/document/444444444/TSX-PLZ-UN)).

Plaza is a developer, owner, and manager of retail real estate primarily in Ontario, Quebec, and Atlantic Canada. Plaza offers a unique business strategy that differs from many of its peers in the real estate industry. Plaza has a competitive advantage in Atlantic Canada and Quebec, while many other REITs focus on Ontario.

Plaza aims to deliver growth in net asset value (NAV) and cash flow per unit from a diversified portfolio of retail properties, designed to deliver a minimum cash yield equal to 100 basis points above the mortgage constant for a 10-year mortgage at prevailing rates and assuming a 25-year amortization period.

Said another way, investors in Plaza can count on a stock that acts like a fixed-income product but with a yield that is at least a full 1% higher than a 10-year mortgage rate. Plaza is a perfect stock for an investor who wants to dip their toes into the stock market [without too much risk](#).

Winds of change in retail

Let's get a preconceived notion out of the way that sometimes clouds investor judgment about retail. A lot of investors feel that retail is dead. According to Plaza's CEO, brick-and-mortar retail is not dying; it is just changing. He is absolutely right, and Plaza knows how to capitalize on that shift.

Plaza thrives on challenges like redeveloping an old and underperforming enclosed mall into a vibrant community strip centre that had a 63% occupancy rate. Plaza's focus on redevelopment resulted in attracting national tenants on long-term leases that replaced local month-to-month leases.

In addition, outdoor tenants experienced significantly higher sales and customer traffic due to an improved shopping experience and easy street access with a monster 96.1% occupancy rate.

Focus on dividends

Let's get to the juicy stuff right off the bat. Plaza pays a beautiful \$0.28 annual distribution on a monthly basis. Yes, I said monthly. I absolutely love it when companies pay on a monthly basis, because I tend to make sure I reinvest those dividends. The sooner the company pays the dividend, the sooner I can reinvest, and the sooner it all compounds.

Monthly payments are beautiful for long-term compounding, and Plaza knows how to please shareholders on this front. Plaza also has a growing dividend trend. In fact, Plaza has grown its dividend every single year since 2003. The dividend growth has amounted to an 8% annual dividend increase for the last 16 years.

The company's [dividend track record is stellar](#), and there is every indication that the growth trend will continue to be positive, steady, and stable.

Investor takeaway

Plaza started the year at a low stock price of \$4 but steadily zoomed up to \$4.75 as of the time of writing, which is a solid 18% capital return. The stock has also returned 6% to investors in monthly dividend yield, which takes the total shareholder return to a market-beating 24%.

What's even better than its stellar performance in 2019 is the fact that the stock has serious momentum on its side, and institutional investors are starting to take notice, as it inches its way to \$500 million in market cap.

I anticipate that the stock price will continue its momentum in 2020, and smart investors who are fortunate to pick up shares in the \$4.50-\$4.75 range will be thrilled in a few months.

CATEGORY

1. Dividend Stocks
2. Investing
3. Top TSX Stocks

TICKERS GLOBAL

1. TSX:PLZ.UN (Plaza Retail REIT)

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