6 Reasons to Buy Dream Industrial Real Estate Invest Trst for the Holiday Season

Description

Along with **Dream Office Real Estate Investment Trst** and **Dream Global REIT**, **Dream Industrial Real Estate Invest Trst** (TSX:DIR.UN) is a real estate investment trust (REIT) managed by **Dream Unlimited Corp**.

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Dream Industrial owns $1.7 billion industrial real estate assets, equating to 16.9 million square feet of gross leasable area (GLA) across 220 properties.

Limited exposure to oil and gas

Any stocks related to oil and gas these days are penalized heavily, and for good reason, because of low commodity prices. Thankfully, Dream Industrial's oil- and gas-related tenants only make up 3.3% of GLA.

Notably, the REIT has 24% of GLA in Alberta. However, it has maintained a high occupancy rate of 97% in that region.

Diversified tenants

Two-thirds of Dream Industrial's portfolio are multi-tenant. That characteristic provides opportunities for rental growth. Additionally, no tenant contributes more than 3.6% in net operating income (NOI), so there's no tenant-concentration risk.

Safe 9.2% yield

The REIT has an occupancy rate of 94.6% and average remaining lease terms of 4.3 years. About 95% of NOI is situated in key urban locations close to major transportation infrastructure.

Dream Industrial's AFFO payout ratio reduced to 85% in the third quarter of 2015 from 2012's 94.1%. Adding in the fact that Dream Industrial forecasts AFFO to grow 4% by the end of the year, its distribution of 9.2% at $7.60 per unit is safe.

Balanced portfolio of asset types

Dream Industrial owns 42% of GLA in warehouse and distribution assets, 39% in flex industrial assets, and 19% is in light manufacturing assets.

Limited new supply

New supply is only expected to be 1%, which means there's less chance of vacancy for Dream Industrial's properties.

Cheap valuation

Based on consensus NAV, Dream Industrial is trading at a discount of 25%.

Tax on the income

REITs pay out distributions that are unlike dividends. Distributions can consist of other income, capital gains, foreign non-business income and return of capital. Other income and foreign non-business income are taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate.

The return of capital portion reduces your adjusted cost basis. This means that that portion is tax deferred until you sell your units or until your adjusted cost basis turns negative. So, if you buy REIT units in a non-registered account, you'll need to track the change in the adjusted cost basis. The T3 that you'll receive will help you figure out the new adjusted cost basis.

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Of course, each investor will need to look at their own situation. For instance, if you have room in your TFSA, it doesn't make sense to have investments in a non-registered account to be exposed to taxation.

In conclusion

If you're looking for a safe 9.2% yield from a diversified business that's priced at a good valuation, consider Dream Industrial for this holiday season.

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1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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