Want German Real Estate? Buy Dream Global REIT

Description

Most of the real estate investment trusts (REITs) that we focus our energy on are based here in Canada or south of the border. They're more predictable markets, and that makes it easier to sleep comfortably at night.

However, there are many markets around the world that are also doing particularly well. One of those is the German/Austrian real estate market. To gain exposure to it, your best bet is to invest in **Dream Global REIT** (TSX:DRG.UN). It's part of the Dream family of REITs but focuses on commercial real estate across the pond.

The Dream Global portfolio consists of over 170 properties with a total of 13.6 million square feet of gross leasable area. It's spread across Germany in what is considered the "Big Seven" markets with an additional 300,000 square feet in Vienna, Austria. Thanks to an equity raise back in March, the company has been able to make key acquisitions to bolster the portfolio, which I expect to have a significant impact on the business in the long term.

But Dream Global isn't stopping in Germany and Austria. The REIT spent $143 million of that equity raise to buy the Airport Plaza in Brussels, Belgium. This is a multi-tenant commercial property which adds both tenant diversification as well as geographic diversification. I anticipate further growth into other regions of Europe if Dream Global sees a lucrative opportunity.

On the tenant side, Dream Global has *some* diversification issues, but not ones that should leave you too concerned. Deutsche Post, the world's largest postal service and international courier, just recently renewed a lease for 90% of its square footage — good for 2.5 million square feet in the company's network.

One company accounting for 18% of the business is nervewracking; however, I believe there is little concern for Deutsche Post. In a world where ecommerce is only getting stronger, parcel shippers like Deutsche Post stand to gain.

Another reason I really like Dream Global is that it benefits from Germany's incredibly low interest rates. On the Airport Plaza acquisition, the company is looking to get a mortgage for seven years at an interest rate of 1.8%. And in a recent acquisition in Stuttgart, the company is looking to get a 10-year mortgage for 1.7%.

These incredibly low interest rates will help the company to grow without putting too much burden on the balance sheet.

All of this makes it possible for Dream Global to provide a lucrative dividend to investors. Currently, shares are yielding 7.32%, which is good for a monthly distribution of $0.07. And with its DRIP, investors can push those funds right back into the company for further shares, which should compound quite nicely compared to a quarterly distribution.

Dream Global has had a very good 2017 so far. Year to date, shares are up over 15%, and with Deutsche Post resigning, I think investors are feeling comfortable with their German exposure.

Getting a 7.32% yield that is secure is important for many income investors, so I'd take advantage of it. However, waiting for a small pullback so shares yield 8% or more could be a great way to boost income even further.

Either way, ensure you get the DRIP started; after a few years, the growth will be well worth it.

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