Should You Buy Allied Properties Real Estate Investment or Dream Office Real Estate Investment Trst

Description

Investing in real estate is one of the best ways to build a strong income portfolio. But there are many different types of real estate stocks you can buy, including residential, industrial, retail and commercial.

Although I am a big fan of all of them, one area that I believe is worth focusing on is commercial. With the economy strong, corporations need a place to conduct their business.

Two REITs in Canada worth considering are **Allied Properties Real Estate Investment** (TSX:AP.UN) and **Dream Office Real Estate Investment Trst** (TSX:D.UN).

But if you only have enough money to invest in one, which should be your target?

Allied Properties Real Estate

This is a strong REIT with its focus almost entirely on the major cities in Canada. Its portfolio is as follows: Toronto with 4.58 million square feet; Montreal with 4.24 million; Calgary with 1.01 million; Kitchener with 538,000; Winnipeg with 342,000; Edmonton with 293,000; Vancouver with 284,000; Quebec City with 223,000; and Ottawa with 221,000 square feet.

The fact that the vast majority of its portfolio is in Toronto and Montreal is smart because those cities have been seeing nice growth. Its occupancy rate is 92.4% with nearly another percent leased and not yet occupied. On top of that, its average rent is $21.67 per square foot, which is up 8.5% from 2016. And finally, its top 10 tenants only account for 18% of its revenue. This last statistic is important because it ensures that, if any tenant leaves, the overall hit won't be too bad.

Because of how well run Allied Properties is, it trades relatively in line with its NAV. But, investors can depend on the 3.98% yield, which is good for a monthly distribution of $0.1275.

Dream Office

Dream Office is a bit of a project. It used to be a high-yield REIT, but because of oil prices crashing, the bulk of its Albertan holdings started to suffer. This, in turn, put a real damper on its cash flow. It first cut the dividend in 2016, and it just recently cut it a second time down to $1 per year. This means it's yielding 4.75%.

What I like about Dream Office is that it is echoing a similar strategy to Allied Properties. It has been selling assets across Canada, including major ones like its 50% hold on Scotia Plaza, so that it has the resources to focus on a much leaner operation. Once this company is finished being trimmed, the outcome could be very appealing.

When all is said and done, the portfolio, based on IFRS values, will be heavily concentrated in Toronto with 62% of value. Montreal will account for 14%, Calgary will account for 13%, and North York, Mississauga, Ottawa, and Saskatoon will make up the rest.

Which to buy?

This is highly dependent on what you're looking for … Dream Office pays a higher yield, but as we've seen, it's been trimmed recently because of cash flow shortfalls. Allied Properties pays a lower yield, but because of how diversified the business is, the company is more than capable of paying its investors.

If I only had money for one, I'd put it into Allied Properties. I want to know that my income is going to come and that I won't get a massive haircut because of a single industry suffering.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:D.UN (Dream Office Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/15
Date Created
2017/08/28
Author
jaycodon