# 1 REIT Yielding +7% Every Income-Hungry Investor Should Consider

## Description

Rising interest rates and fears of the impending meltdown of the retail industry have caused investors to view real estate investment trusts, or REITs, with some concern.



However, even after Bank of Canada's early September surprise rate hike, which pushed the headline overnight rate to 1%, interest rates remain well below their long-term historical average. This means that those investments typically perceived as income-generating assets, such as bonds and guaranteed investment certificates (GICs), continue to offer little in the way of yield.

That has only intensified the hunt for yield among income-hungry investors, especially those in retirement who are looking to bolster their income, which has boosted the popularity of REITs.

While some REITs are facing considerable headwinds because of the retail meltdown and the demise of the shopping mall, others are poised to grow as the demand for warehousing and other industrial properties grows. This makes **Dream Industrial Real Estate Invest Trst** (TSX:DIR.UN), which owns 212 light industrial properties across Canada, an attractive investment.

**Now what?**

What makes Dream Industrial especially appealing is that it has no exposure to retail, shielding it from the carnage triggered by e-commerce and the rise of **Amazon.com, Inc.**, which has sparked a deluge of retail bankruptcies. The most prominent of which was Sears Canada Inc.'s petition for bankruptcy back in June.

In fact, demand for light industrial properties can only rise because of the e-commerce revolution.

You see, the rise of e-commerce and online retail sales is driving demand for warehousing and distribution facilities. Real estate logistics specialist **Prologis Inc.** has estimated that every dollar spent online requires three times the warehouse space of one spent at a brick-and-mortar retailer. That can only lead to a sharp uptick in demand for light industrial properties that could be used as distribution centres.

The good news for industrial REITs doesn't stop there. Canada's manufacturing sector is also experiencing solid growth.

According to data from Statistics Canada, July 2017 manufacturing sales grew by 3.4% year over year. The Markit Canada Manufacturing Purchasing Managers Index for September 2017 rose to 55 points, or 0.4 points higher than the 54.6 reported for August. That indicates manufacturing activity is expanding with firms pointing to higher demand, product development, and exports.

While these factors point to a positive outlook for industrial REITs, Dream Industrial stands out because of a range of important traits that make it especially appealing. These include its geographically diversified portfolio, which sees most of its net operating income generated by multi-tenant properties, thereby reducing the risk of vacancies and their impact on its earnings. It reported an outstanding occupancy rate of 96.8% at the end of the second quarter 2017 and an impressive 86% tenant retention rate. Dream Industrial also has a relatively low level of debt in proportion to total assets and a well-laddered debt profile.

**So what?**

These characteristics all contribute to ensure the sustainability of its regular monthly distribution, which has a juicy yield of almost 8%. The payout ratio of 87% of adjusted funds flow from operations for the six months to June 30, 2017, further attests to the distribution being sustainable. The forecast explosion in demand for industrial properties coupled with ongoing manufacturing growth and Dream Industrial's solid diversified property portfolio make it an appealing investment for investors seeking yield.



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