Should You Be Looking to Germany for Your Real Estate Income?

Description

The Dream family of REITs have provided investors with an opportunity to generate strong dividends from a variety of geographies. However, over the past couple of years, one of them has lagged, while **Dream Global Real Estate Investment Trust** (TSX:DRG.UN) has excelled.

Although there are lots of reasons why Dream Global has excelled, one that stands out is its geographic makeup. Its primary focus is the German and Austrian markets, but it has expanded to include properties in the Netherlands and Brussels. As of September, Dream Global owns 282 properties that have 20.3 million square feet in gross leaseable area.

This is tremendous growth, because the last time I wrote about Dream Global, it only own 151 properties with GLA of 12.5 million square feet. So, what happened?

The big move was the $963 million expansion into the Netherlands, which I mentioned above. In total, it acquired 135 office and light industrial properties and expects the acquisition to be accretive by over 10% to the company's estimated 2018 FFO and AFFO.

Dream Global also expanded into Belgium, buying a multi-tenant office complex, the Airport Plaza, for $143.2 million. In total, the Airport Plaza has 387,500 square feet of square footage. Currently, this space is 97% leased with an averaged weighted lease term of 8.1 years.

Between these two deals, Dream Global has obviously become a very strong European real estate company. But at its core, it remains a German company, providing investors with a great opportunity to gain exposure to one of the strongest economies in the world.

Its key German markets are Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Nuremberg, and Stuttgart, plus holdings in Vienna, Austria. Diving deeper, 71.8% of its gross asset value comes from Germany, so it's obvious that the life of this company remains in Europe's strongest economic powerhouse.

So, should investors be picking up shares of Dream Global today? I say yes, and there are three reasons for that.

First, it has done a great job diversifying its portfolio. When I last wrote about Dream Global, **Deutsche Post** accounted for 18% of Dream Global's business. Thanks to this Netherlands takeover, Deutsche Post now accounts for 9.5%. Even better, 77.2% of its business is split up among 1,809 tenants, so it's safe from individual companies going under.

Second, the business is in an incredibly strong position. At the end of Q3, it had an in-place occupancy rate of 87.1%, which is actually down from 89.9%. However, the Netherlands portfolio is not fully occupied, which pulls the average down a few percentage points. I fully expect this to improve over the coming years.

And finally, Dream Global is a really solid dividend stock. It pays $0.067 per month and allows investors to participate in a distribution-reinvestment plan, allowing you to slowly build an incredibly powerful holding. The current yield is 7%, which is actually down some since the stock has been increasing over the past year.

In total, here's what you've got: a strong real estate stock with an amazing portfolio of properties, which is diversified well among tenants with a strong in-place occupancy rate. And finally, as it continues to generate strong income, it pays a lucrative 7% yield. For exposure to Germany and other major economies in Europe, buy Dream Global.

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