



These 2 REITs Have at Least 30% Upside Following a Recent Acquisition

Description

The recent [announcement](#) on Tuesday that New York firm **Blackstone Property Partners** has entered an agreement to purchase Vancouver-based **Pure Industrial Real Estate Trust** (TSX:AAR.UN) for \$3.8 billion has lifted shares in most Canadian industrial REITs higher on the news, but I would argue they're not high enough, given the changing valuation fundamentals supported by this new deal.

Pure Industrial is an excellent real estate investment trust (REIT), operating a host of high-quality properties close to urban centres in Canada, allowing Blackstone to secure logistics-oriented properties, which the company estimates will be worth much more in the years to come, as the economy continues to shift toward a logistics-heavy, e-commerce world. The company deserves the valuation which was placed on it by Blackstone, and I fully anticipate that other industrial REITs, such as **Dream Industrial Real Estate Invest Trst** (TSX:DIR.UN) and **WPT Industrial Real Estate Investment Trust** (TSX:WIR.UN), will have bumps in their valuations.

Why industrial real estate?

As I've commented on in the past, [industrial real estate is gold](#) and is much more valuable in today's economic climate than retail or commercial real estate due to different long-term fundamentals underpinning growth and expansion in these sectors. Industrial real estate is a sector which is largely scarce, especially close to urban centres; it's necessary for ease and especially speed of logistics, a factor which has not been valued by the market as it should, in my opinion; and it's the wave of the future, as these blocks of land will be needed to create high-tech warehousing and logistics solutions accordingly, providing the basis for job growth and economic growth in North America.

Canada has a number of key geographical issues with respect to the global e-commerce integration, which has had a very difficult time taking hold in the Great White North. The country has a unique urban-rural divide; populations are focused in only a few cities, with a significant portion of the population very difficult to reach. Industrial real estate close to urban centres is necessary for any firm to successfully reach the majority of Canadians in a reasonable amount of time.

Why Dream Industrial and WPT REIT?

Both Dream Industrial and WPT REIT are industrial REITs with similar property portfolios, but they are each advantageous for different reasons.

In the case of Dream Industrial, this trust has a very low valuation compared to Pure Industrial's new valuation, which implies upside of more than 40% based on rule-of-thumb valuation metrics such as price-to-book value (P/BV). On a P/BV basis, Dream Industrial currently trades at 0.95, meaning investors can still pick up shares of Dream Industrial for less than the book value of the company's assets.

WPT REIT is a much smaller, but nimble REIT with significantly higher growth potential; an acquisition of WPT REIT, while perhaps not meaningful to a massive multinational real estate firm, would provide a unique high-growth option in the industrial real estate space, and applying a 30% valuation bump to WPT REIT based on the company's current asset base trading around 1.1 times book value would not be out of the question.

Stay Foolish, my friends.

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