



## 3 Ways to Play Industrial Real Estate

### Description

A week has past since Blackstone Property Partners announced its \$3.8 billion acquisition of Vancouver-based **Pure Industrial Real Estate Trust** (TSX:AAR.UN), one of Canada's largest REITs with 168 properties in Canada and the U.S. providing 22.7 million square feet of leasable space.

Blackstone is paying a 27% premium to its estimated net asset value of \$6.40 per unit, which is excellent news for Pure's shareholders.

Naturally, that's got investors sniffing around the other [industrial REITs](#) trading on the TSX — **Dream Industrial Real Estate Invest Trst** ([TSX:DIR.UN](#)) and **WPT Industrial Real Estate Investment Trust** ([TSX:WIR.UN](#)) are the two biggies — but before you run out and buy either of them, you might want to consider three other ways to play the industrial real estate game.

### First way to play

Why not buy the conqueror rather than the conquered?

Blackstone Property Partners is one of the many investment entities owned by **Blackstone Group LP** ([NYSE:BX](#)), one of the world's largest alternative asset managers with US\$387 billion in assets under management — real estate (29% of AUM), 26% private equity, 26% credit, and 19% in hedge funds — so not only would you get exposure to Pure's industrial assets, but also all the other industrial real estates it has under its massive umbrella.

As of the end of September, Blackstone owned more than 272 million square feet in industrial properties, including 133 million square feet of logistics and distribution space owned by Logisor, its industrial real estate unit it founded in 2012, which has been sold to Chinese interests with the deal expected to close any day now.

The Pure deal fills in some of the square footage that was lost by selling Logisor to the Chinese. Like many of the big alternative asset managers, the diversification of assets is mind boggling.

## Second way to play

Pure doesn't rent space to small businesses.

In fact, a list of its top 10 tenants reveals some desirable investments on their own. Its number one tenant by revenue is **FedEx Corporation** ([NYSE:FDX](#)).

If you buy the thesis that the growth of e-commerce is what's driving investor interest in industrial real estate, then you might want to consider investing in one of the primary beneficiaries of this growth. Packages just don't magically appear on a consumer's doorstep; they've got to be delivered by plane, train, or truck.

It's a big reason why FDX stock is up 23% on an annualized basis over the past five years. You can expect double-digit growth over the next five years, as well.

## Third Way to play

You've probably noticed that I've yet to suggest a TSX stock, so I'll leave my final way to play industrial real estate to a Canadian business.

So, I've already mentioned an alternative asset manager and courier company, but what about a business related to the actual online selling of products and services?

It was a crazy year for Tobi Lütke and the rest of the management team at **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)). It entered the fall with its stock on fire, hitting an all-time high of \$151.75 in mid-September, only to be hit by a [short scare](#) from a U.S. research firm, which crushed its stock price; fortunately for investors, it's recovered most of those losses.

Personally, I think Shopify is a long-term hold that could begin to make money later this year or early in 2019. However, because of the potential for another short attack by Andrew Left, I wouldn't put this in a tax-deferred or tax-free account, where a capital loss wouldn't be of any value to you.

It's the riskiest of the three stocks.

## CATEGORY

1. Investing

## POST TAG

1. Editor's Choice

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1. NYSE:BX (The Blackstone Group L.P.)
2. NYSE:FDX (FedEx Corporation)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:DIR.UN (Dream Industrial REIT)
5. TSX:SHOP (Shopify Inc.)

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