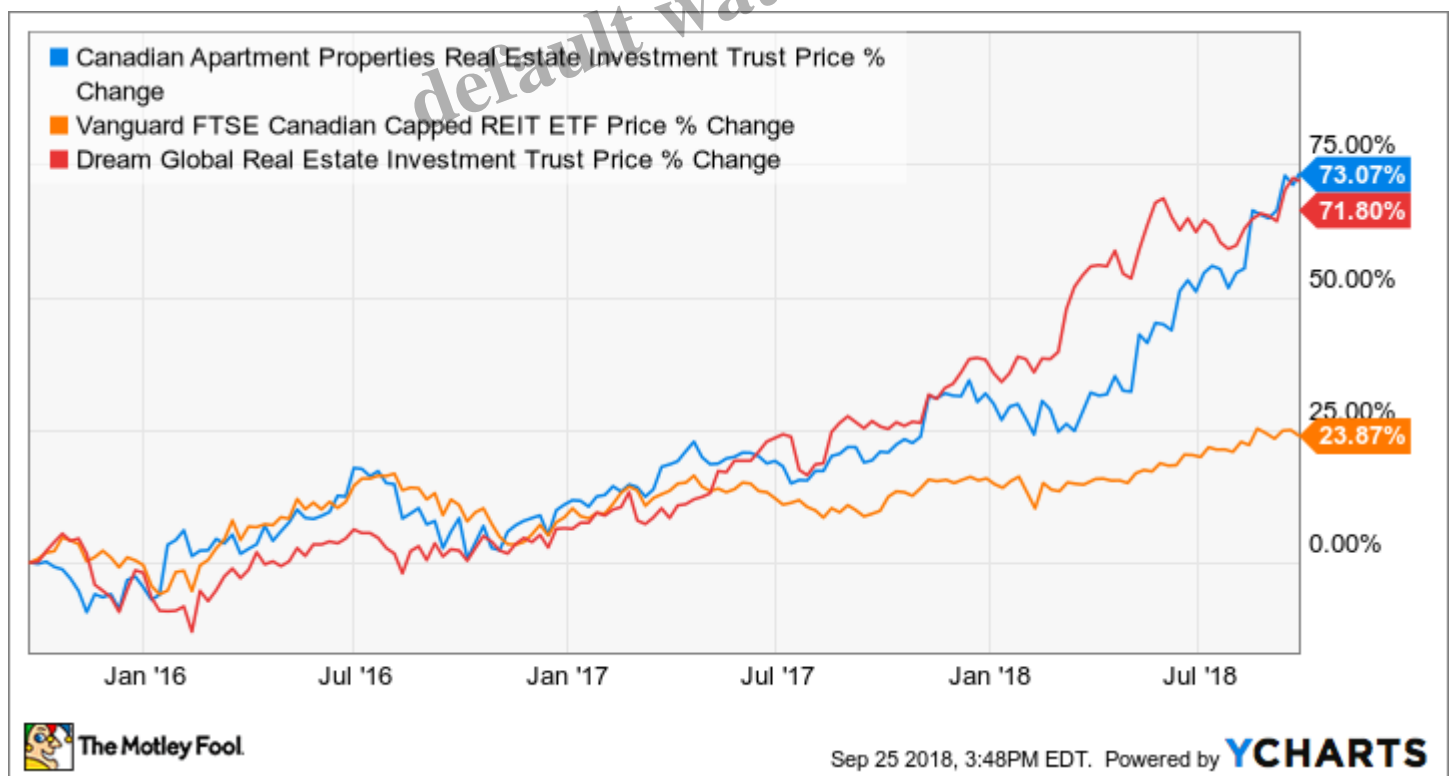




## 2 Quality REITs That Have Defied the Laws of Gravity

### Description

High interest rates are supposed to be a dampener on the performance of real estate investment trusts (REITs). However, they haven't stopped **Canadian Apartment Properties REIT** ([TSX:CAR.UN](https://www.scribd.com/document/444444444)) and **Dream Global REIT** (TSX:DRG.UN) from greatly outperforming their Canadian peers in price appreciation by +46% in the last three years.



CAR.UN data by YCharts. Here's the three-year price performance of CAR.UN, DRG.UN, and VRE, which represents the Canadian REIT sector.

### Canadian Apartment Properties REIT

Canadian Apartment Properties REIT owns a [best-in-class](#) portfolio of multi-unit residential properties,

including apartment buildings, townhouses and land lease communities located in or near major urban centres across Canada.

It has been experiencing strong momentum. In the second quarter, compared to the same quarter in 2017, the REIT's operating revenues increased 8.6% to \$170.6 million, its net operating income climbed 12.3% to \$110.9 million, and its net funds from operations (NFFO) per unit increased 14.1% to \$0.535.

In the first half of the year, the REIT's operating revenues increased 8.3%, its net operating income climbed 12.1%, and its NFFO per unit increased 11.2%. Canadian Apartment Properties REIT has a very sustainable NFFO payout ratio of about 66%, which keeps its monthly cash distribution safe.

At \$48.79 per unit as of writing, Canadian Apartment Properties REIT offers a 2.73% yield.



### **Dream Global REIT**

Dream Global REIT is a rare find. The regions that the REIT operates in exhibit some of the strongest GDP growth and lowest unemployment rates in Europe.

Dream Global REIT owns primarily office properties in key markets in western Europe, including Germany (about 73% of its gross asset value), the Netherlands (21%), Austria (3%), and Belgium (3%). As a result, it has been experiencing [strong organic growth](#).

About 81% of its gross asset value is in its core portfolio, which is comprised of about 118 properties with a high occupancy of +94% and a weighted average lease term of about five years.

It has about 11% of its gross asset value in about 40 properties with occupancy rates of about 60%. These properties can be improved in terms of leasing of vacant space and upgrading of the properties.

Dream Global REIT's top 10 tenants contribute about 22% of its gross rental income. Some of the top tenants include **Deutsche Post**, **Siemens**, the city of Hamburg, and **Alphabet**. At \$15.21 per unit as of writing, Dream Global REIT offers a 5.26% yield.

### **Investor takeaway**

Both stocks are trading at multiples that are higher than their norms. That said, between the two quality REITs, Dream Global REIT isn't nearly as expensive as Canadian Apartment Properties REIT. So, if you're looking to invest new money, you should consider Dream Global on dips over Canadian Apartment Properties REIT.

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