



## 1 Top Industrial REIT Yielding Over 5% to Buy in May

### Description

The outlook for North American retail REITs [remains bleak](#), as the retail apocalypse, heralding the end of traditional brick-and-mortar retail, gains momentum. Even though Canadian shopping malls and their owners have not been as [sharply impacted](#) as in the U.S., growth appears limited for the foreseeable future.

Investors shouldn't be deterred from investing their hard-earned capital in REITs. They remain one of the best investments for retirees and income-hungry investors seeking a reliable steadily growing and recurring passive-income stream. This is particularly the case in an environment where the Fed has placed further interest rate hikes on hold and the yields of traditional income assets, such as bonds, remain at close to historical lows.

In fact, the ongoing e-commerce and online shopping boom will be a boon for industrial REITs, because it fuels greater demand for light industrial properties to be used as all-important distribution centres by online retailers. One industrial REIT, **WPT Industrial REIT** (TSX:WIR.U), stands out for all the right reasons, including its generous yield in excess of 5%, making a desirable holding for any income-focused portfolio.

### Solid results

WPT owns a portfolio of diversified U.S. industrial properties and pays a regular monthly distribution of a very tasty 5.5%. The REIT reported some solid first-quarter 2019 results, including a 125% and 11% year-over-year increase, respectively, in revenue and net operating income, while diluted net income rose by a healthy 11% to US\$0.176 per unit.

The only disappointing aspects of those results was that adjusted funds from operations (AFFO), on a fully diluted basis, declined by 36% compared to a year earlier to US\$0.123. This sharp decline was the result of one-time severance costs and free rent during the quarter. That means AFFO should improve over the remainder of 2019. WPT finished the quarter with an impressive occupancy rate of over 99% for its 57 properties containing gross leasable area of 18,850,627 square feet.

It is important to note is that e-commerce providers, including **Amazon.com**, Zulily, Fullbeauty Brands and Radial, make up its top 10 tenants holding a combined 14% by gross leasable area and generating 11.4% of its total annualized base rent. WPT is well positioned to benefit from the rapid expansion of e-commerce with online retail sales forecast to grow by almost 20% year over year in 2020 and 18% in 2021, with online sales expected to make up 18% of all retail sales.

The remainder of the REITs top 10 tenants are major consumer product providers, including **General Mills**, Continental Tire, **Unilever**, and **Honeywell International**.

WPT's earnings will continue to grow, because during the first quarter it completed the acquisition of a 13-building land parcel with 2.2 million square feet of gross leasable area for US\$226 million. The REIT finished the first quarter in a solid financial position with debt-to-gross book value of 37% compared to 46.5% for the same period in 2018 and debt of 7.5 times adjusted EBITDA.

## Pulling it all together

WPT appears attractively valued with it trading at a modest 9% premium to its book value of US\$12.40 per unit. This is 4% greater than a year earlier, and a price of 16 times funds from operations (FFO), which is lower than many of its peers, makes now the time to buy. The juicy 5.5% distribution yield appears highly sustainable because it has a trailing 12-month payout ratio of 90% of FFO, which should fall to a more sustainable level as FFO grows because of lower costs and the completion of the latest deal.

WPT is an ideal investment for income-hungry investors focused on building a recurring passive-income stream, which offers a yield significantly higher-than-traditional income-producing investments, such as bonds. There is also significant room for capital appreciation given WPT's attractive valuation, making now the time to buy.

### CATEGORY

1. Dividend Stocks
2. Investing

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Dividend Stocks
2. Investing

### Date

2025/09/28

### Date Created

2019/05/24

**Author**  
mattdsmith

default watermark

default watermark