TFSA Investors: Boost Income and Growth With This REIT Yielding Over 5%

Description

Investing through a tax-free savings account (TFSA) can help to accelerate wealth creation because of their tax effective nature. For any eligible investment held in a TFSA including stocks all dividends and capital gains are tax free, thereby eliminating one of the greatest diminishers of investment returns, taxes.

By utilizing a TFSA there are generally no restrictions on when the funds can be withdrawn, and all withdrawals are tax-free. A top stock for building wealth, especially for retirees seeking to build a reliable passive income stream is **WPT Industrial REIT** (TSX:WIR.U), which, after losing 3% over the last year, appears attractively valued.

Quality property portfolio

WPT owns a portfolio of 70 light industrial properties located in the U.S. with over 21 million square feet of gross leasable area with a value of US$1.4 billion. Its top 10 tenants are composed of Fortune 500 companies, including **General Mills**, **Unilever** and **Amazon.com**, which between the three of them alone account for over 12% of WPT's total annualized base rent.

With the nature of its properties and tenants, WPT has considerable exposure to e-commerce and the ongoing boom in online retailing, which has triggered an apocalypse for traditional bricks and mortar retailers as well as shopping malls.

The ongoing rapid uptake of e-commerce, which is expected to generate in excess of US$40 billion in sales in the U.S. by 2020, will drive every greater demand for light industrial properties to be used as warehouses and distribution centres. WPT's impressive occupancy rate of 99.1% at the end of the first quarter 2019 emphasizes the quality of its property portfolio and the strong demand for light industrial properties.

Growing e-commerce combined with a shortage of quality light industrial properties across the U.S. is bound to drive rents higher as supply fails to match demand.

WPT reported some solid first-quarter numbers, including a healthy 11% year over year increase in net operating income (NOI); they also reported that net income per unit shot up by an impressive 13% to $0.182.

That strong growth, for the reasons discussed, will continue.

The REIT also has a solid balance sheet, as indicated by its debt being 37% of its gross book value and 7.5 times adjusted EBITDA along with an interest coverage ratio of 2.9 times. WPT has US$146 million available from an unsecured credit facility, providing it with significant liquidity to make further purchases and fund its property development program.

Foolish takeaway

The REIT is a compelling addition to any portfolio because of its regular monthly distribution yielding a very juicy 5.6%. While that payment represents 110% of trailing 12-month adjusted funds from operations (AFFO), indicating that it is not sustainable over the long term, a combination of growing earnings and cost cutting will reduce the ratio and boost sustainability.

What makes now the time to buy WPT is that it is attractively valued. Analysts have determined that it has a net-asset-value (NAV) of US$13.40, which is slightly higher than its current market price. Typically, solid REITs like WPT, with strong occupancy rates, a robust balance sheet, steadily growing earnings and stable distribution trade at a considerable premium to their NAV.

For these reasons, now is the time to acquire WPT before it soars in value.

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