



TFSA Investors: 1 Top REIT to Boost Returns and Accelerate Wealth Creation

Description

Tax-free savings accounts (TFSAs) are one of the best investment vehicles for creating long-term wealth because essentially all capital gains, dividends and interest received are tax free. This tax-sheltered status eliminates what is one of the greatest corrodors of wealth over time; taxes.

While some less experienced investors choose to hold hot stocks like those from the cannabis and tech industries in their TFSAs, this is inadvisable.

You see, the amount that can be contributed annually is capped. For 2019, a maximum of \$6,000 can be invested to a TFSA and once used it can never be recouped. That means if you invest \$6,000 in a volatile penny stock and hold that investment in a TFSA and the stock tanks, then you can never contribute that amount again.

Conversely, you can never lose your contribution room if it is unused. That means for any eligible Canadian who has never made a TFSA contribution since they were introduced, they can invest up to a maximum of \$63,500 before the end of 2019.

For these reasons, TFSAs are an ideal vehicle in which to hold long-term quality dividend paying investments such as blue-chip stocks and [real estate](#) investment trusts (REITs). A top REIT that every TFSA investor should consider owning is **Dream Global REIT** (TSX:DRG.UN), which has gained a stunning 20% since the start of 2019 and is poised to soar further.

Solid results

A key reason for Dream Global's solid gains since the start of the year has been its ability to consistently deliver value for unit-holders and it reported some solid second quarter 2019 results. The REIT's occupancy rate expanded by 1.9% year over year to 91.8%, while net operating income (NOI) grew by 4% to \$47 million and funds from operations (FFO) shot up by 6% to almost \$51 million. That solid earnings growth caused net income to surge by a notable 37% year over year to \$249 million.

This strong performance can be attributed to property acquisitions completed before the end of the

equivalent period a year earlier, higher rents due to a [tighter market](#) for office properties and reduced debt leading to lower financing costs.

In fact, Dream Global continues to strengthen its balance sheet and reduce debt, finishing the second quarter with a debt to gross book value ratio of 38.5% compared to 40.1% a year earlier.

Aside from this solid performance, what makes Dream Global a compelling buy is the fact that it is trading at a discount of 14% compared to its net-asset-value (NAV) of \$16.26 per unit at the end of the second quarter 2019. That NAV is 21% greater than for the equivalent period a year earlier, reflecting both the value added by acquisitions and appreciation of existing properties.

Foolish takeaway

It is rare to find a high-quality REIT that possesses solid growth prospects like Dream Global, which is trading at a discount to its NAV, making now the time to buy. While investors wait for Dream Global's stock to appreciate, they will be rewarded by its regular monthly distribution yielding a very juicy 5.6%.

There is every sign that the distribution is sustainable because it has a payout ratio of trailing twelve-month diluted FFO per share of 77%. That sustainability is enhanced by Dream Global's ongoing focus on reducing debt and growing earnings.

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