



## Use Your TFSA and This REIT Yielding 5% to Generate \$2,250 in Monthly Passive Income

### Description

The Fed's latest rate cut, which sees interest rates at near historical lows, has boosted the popularity of real estate investment trusts (REITs) and other stocks making reliable income payments. This is because the yields on traditional income-paying assets such as bonds have fallen to unmanageable levels for income-hungry investors such as retirees. One high-quality REIT that [has demonstrated](#) that it can consistently deliver value is **Dream Industrial REIT** ([TSX:DIR.UN](#)). Its regular distribution is yielding just over 5%, which is more than triple the yield on many government bonds and makes it an attractive investment to generate regular income.

### Quality diversified assets

Dream Industrial owns a diversified portfolio of 209 light industrial properties across Canada and the U.S., which had an impressive occupancy rate of 96.9% at the end of the second quarter 2019 and an average weighted lease term of 4.1 years. The REIT has a net asset value (NAV) of \$11.04 per unit, which represents a healthy 5% increase over the same period in 2018.

Notably, Dream Industrial is trading at a modest premium of 18% to its NAV, highlighting that it is attractively valued, particularly when that NAV continues to expand, indicating there is further capital appreciation ahead.

Between the second quarter 2017 and 2019, Dream Industrial's portfolio has grown by an impressive 44% in value to be worth \$2.3 billion. This includes reducing the REIT's presence in Western Canada, where the economy is weighed down by the oil slump, and entering the U.S., allowing it to take advantage of its strong economy, which saw GDP expand by 2.1% for the second quarter 2019.

The REIT's investment appeal is enhanced by its low leverage, illustrated by a net-debt-to-assets ratio of 37.4%, and available liquidity of \$95 million.

Dream Industrial pays a monthly distribution yielding a juicy 5.4%, which — with the REIT having a

second-quarter 2019 total payout ratio of diluted funds from operations (FFO) of 87.1% — certainly appears sustainable. It is this tasty reliable distribution which makes Dream Industrial a tantalizing investment for income-hungry investors.

## Putting it together

By adding Dream Industrial to your [Tax-Free Savings Account](#) (TFSA) and then using its distribution-reinvestment plan (DRIP) to reinvest all payments to acquire additional units at no cost, you can unlock the power of compounding. That allows you to accelerate the rate at which wealth is created. A \$10,000 investment in Dream Industrial five years ago would now be worth \$20,333 had all distributions been reinvested, equaling a total return of 103%, or 15% on an annualized basis.

That is compared to the investment only growing to \$17,829 if the distributions were taken as cash, which is a 12% annual return. By holding Dream Industrial in a TFSA, all capital gains and distributions received are tax-free, removing the impact of taxes, which can be a significant destroyer of wealth over the long term.

If you'd invested your maximum 2019 TFSA contribution of \$6,000 in Dream Industrial, added \$6,000 annually for the next 17 years, and reinvested all distributions, your investment would grow to around \$500,000. At that stage, if you ceased reinvesting the distributions and instead took them as cash, your investment would generate passive income of around \$2,250 monthly, which — while that is not a large sum of money — is certainly a handy supplement to other sources of income.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
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