



2 of the Top-Performing REITs for 2019: Is it Time to Buy?

Description

The popularity of real estate investment trusts (REITs) continues to soar, as near historically low interest rates impact traditional income-producing assets such as bonds, forcing income-hungry investors to look elsewhere. This, combined with the growing optimism surrounding the outlook for the economy, has seen many REITs make strong gains since the start of 2019.

Some of the best performing include **Dream Industrial** ([TSX:DIR.UN](#)), which has gained a whopping 47% for the year to date, and **Artis Real Estate Investment Trust**, which has risen by 27%. While there are claims that [REITs appear expensive](#), there are signs that, as an asset class, they will make further solid gains over the next year.

Industrial properties

Dream Industrial has [rallied significantly](#) since the start of 2019, because of its solid results and the ongoing progress being made with improving asset quality that is unlocking value for unitholders.

Net rental income grew by 25% year over year, comparative properties net operating income shot up by 6%, funds from operations (FFO) expanded by a notable 17% and its net asset value (NAV) grew by 5% to \$11.09 per unit. That represents an increase in the value of Dream Industrial's properties located in Ontario and Quebec.

The REIT also has a particularly low level of debt, finishing the third quarter with a debt-to-assets ratio of a mere 31.4%, endowing it with a significant degree of financial flexibility. Dream Industrial finished the period with an impressive 96.2% occupancy rate and average weighted lease term of 4.1 years. Its top-10 tenants include notable names such as Nissan North America, TC Transcontinental, Accel, and Molson Breweries.

Renewed optimism surrounding the economic outlook combined with Dream Industrial's strategy of developing its existing properties, making strategic accretive acquisitions, and growing its U.S. presence will propel earnings higher. For these reasons, Dream Industrial remains a top pick for investors seeking a combination of growth and income, with it paying a sustainable distribution yielding

a juicy 5%.

Diversified property portfolio

Artis is an intriguing REIT to consider. Even after slashing its distribution by 50% toward the end of 2018, it has continued to perform strongly and deliver value. Artis is moving to reduce its exposure to retail and office real estate while boosting its investment in industrial properties as well as the U.S.

The improved outlook for the U.S. economy, combined with the growing demand for light industrial real estate caused by the rapid expansion of online retailing, will act as powerful tailwinds for earnings growth.

Artis reported some solid third-quarter 2019 numbers, including an occupancy rate of almost 95%, a 4% year-over-year increase in adjusted funds from operations per unit, and net income that doubled to \$0.28 per unit. The REIT is also in the process of strengthening its balance sheet, ending the quarter with a conservative debt-to-gross-book value ratio of 56% and an interest coverage ratio of 2.6.

Even after slashing its distribution by half, Artis still yields a juicy 4.6%, which, with a payout ratio of AFFO of just under 53% for the first nine months of 2019, highlights that the payment is sustainable.

What makes Artis a particularly attractive investment is that its NAV has expanded by 4% year over year to \$15.72 per unit, which represents a 33% premium to its current market price. This indicates that Artis is trading at a deep discount to its NAV, highlighting the considerable upside available and that now is the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:DIR.UN (Dream Industrial REIT)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/18

Date Created

2019/11/18

Author

mattdsmith

default watermark

default watermark