



Unsure About Buying Property? Buy These 2 REITS Instead

Description

Owning real estate properties for investment purposes is a Canadian's dream. If you have the same desire but are unsure about buying, give real estate investment trusts (REIT), some serious thought. There's less capital requirement, but you can [earn income as a legitimate landlord would](#).

With the brisk growth of e-commerce beginning in 2016, industrial REITs are appearing on investors' radars. This type of REIT offers strong growth potentials due to the massive consumer spending in online shopping. Retail giants and logistics companies need more facilities for storage and distribution centres.

Dream ([TSX:DIR.UN](#)) and **Summit** (SMU.UN) are the likely choices if you want exposure in the real estate sector that focuses on a rapidly growing market.

Dream big

Dream big and [reward yourself with generous income](#) by purchasing Dream shares. This \$1.84 billion industrial REIT is one of the most attractive investment options in the real estate industry. Aside from the affordable price (\$13.70 per share as of this writing), the dividend yield is a lucrative 5.22%.

Moreover, the payout ratio stands at only 56.38%, which means the chances for future dividend growth are high. The progress of this REIT is notable since 2018. Dream continues to add scale and improve its portfolio quality via domestic and U.S. expansion. The strong pace is boosting net operating income.

Dream owns and operates a portfolio of 209 industrial properties in Canada (86%) and the U.S. (14%). Its high-quality real estate assets are geographically diverse, adaptable, and flexible.

Likewise, most of the properties are functional distribution facilities that are reusable. Such a feature attracts a wide range of tenants. Dream boasts of an in-place and committed occupancy rate of 96.2%. The present weighted average lease term is a little over four years.

High growth

Summit is the only REIT stock that made it to the first-ever **TSX** Top 30 growth stocks in 2019. This \$1.69 billion REIT has a three-year return of more than 160%. The focus is on light industrial properties that are mostly one-story types.

The 108 industrial properties Summit owns and operates are suited for tenants with warehousing and storage needs. Light assembly and shipping plants, call centres, technical support, and professional services are also among the tenants. Summit is enjoying an occupancy rate of 99.4%.

A compelling reason to invest in Summit is its high forward Adjusted Funds from Operations (AFFO) growth rate and below 90% AFFO payout ratio.

These rates indicate that Summit generates more cash from rental properties. Through 2021, this REIT should be able to maintain a CAGR of 8% and AFFO payout ratio of 89.6%.

The out-of-pocket expense to you is \$12.32 per share, yet the dividend or distribution due to you is 4.58%. Rather than shelling out \$100,000 to use as a down payment to purchase a rental property, invest in Summit. You can potentially earn \$4,580 annually without much effort and avoid the headaches of a landlord.

A hassle-free way to earn

Industrial REITs such as Dream and Summit are the exciting investment choices in 2020. Not only will you save a lot by investing indirectly in the real estate sector, but you'll also earn in a hassle-free way.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:SMU.UN (Summit Industrial Income REIT)

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