



1 Top Canadian Dividend Stock Yielding 5% to Hedge Against a Bear Market

Description

Global stock markets continue to plummet because of coronavirus concerns and growing fears of a global recession. The **Dow Jones Industrial** has lost 14% since the start of 2020 and the **S&P/TSX Composite Index** is down by 7% with fears of further losses as more coronavirus cases are reported outside of China.

While this has generated considerable fear among investors, causing a stampede for the exits as they rush to acquire traditional defensive assets such as gold, it has [created an opportunity](#) to acquire quality stocks at very attractive valuations.

One that stands out for all the right reasons is **Dream Industrial REIT** ([TSX:DIR.UN](#)), one of the best-performing Canadian real estate investment trusts (REITs) during 2019. It has lost a modest 3% for the year to date and appears attractively valued, making now the time to buy.

Robust defensive credentials

Dream Industrial not only possesses [strong growth prospects](#), notably because of a recent decision to expand into Europe completing \$67 million of deals in the Netherlands and Germany, but is also a solid defensive stock to hedge against a bear market. This is because it invests in light industrial real estate, which, as a hard asset, has proven resistant to economic downturns.

That has been further reinforced by the sharp uptick in demand for industrial real estate triggered by the rapid rise of e-commerce and online retailing, as while they negate the need for bricks and mortar stores, there's also the need for packaging and logistics centres, creating a significant demand for light industrial properties.

Dream Industrial possesses a wide economic moat because of the steep barriers to entry for its industry, thus protecting it from competition and boosting the reliability of its earnings.

The certainty of Dream Industrial's earnings is enhanced by their contracted nature with the REIT finishing 2019 with a weighted average lease term of 4.1 years.

Dream Industrial also finished 2019 with a strong balance sheet, as indicated by a very conservative debt to asset ratio of 23.7% and net debt of a mere 4.3 times adjusted EBITDA.

These characteristics help support the sustainability of Dream Industrial's regularly monthly distribution, which is currently yielding a juicy 5%.

Attractively valued

Dream Industrial is very attractively valued, trading at a modest 7% premium to its net asset value. It's rare to find a quality REIT with steadily growing funds from operations, a strong balance sheet and solid growth prospect like Dream Industrial, which is trading at a slight premium to its NAV.

There's every indication that Dream Industrial's NAV will expand significantly because of recent acquisitions in the Netherlands, Germany, Ontario and Quebec coupled with growing asset values because of greater demand for light industrial real estate. This highlights why now is the time to acquire Dream Industrial, especially after the modest decline in its market value.

Once Dream Industrial's latest acquisitions are bedded down and synergies are unlocked, its earnings will grow at a steady clip, particularly as it expands its presence in Western Europe, where there is significant growth potential.

Foolish takeaway

Dream Industrial's unique mix of defensive and growth characteristics and sustainable distribution yielding a tasty 5% make it an ideal stock to buy in the current market, especially when its solid balance sheet and quality property portfolio is considered.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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