Market Crash 2020: 1 Top Canadian REIT on Sale and Yielding 8% to Buy Today

Description

The coronavirus pandemic and resulting economic fallout has hit stocks hard. Even after Trump announced a US$2 trillion stimulus package, stocks rallied and then declined once again. The **S&P/TSX Composite** has lost 21% over the last month and many stocks have incurred even greater losses.

Some of the hardest hit sectors, such as airlines, restaurants, retail and hotels. Many real estate investment trusts (REITs) were roughly handled by the market.

The **BMO Equal Weight REITs Index ETF**, which is a solid indicator of how Canadian REITs are performing, lost 29% over the last month.

Retail and hotel REITs have been the hardest hit. Growing fears of a deep recession sparked by the coronavirus are weighing on REITs. While there will be considerable economic fallout, one thing is certain: Many REITs will survive the current conflagration, creating an opportunity to acquire quality REITs at attractive valuations.

Among the best-performing Canadian REITs in 2019 was **Dream Industrial** (TSX:DIR.UN). It gained a notable 38% for the year to outperform the **S&P/TSX Composite's** 19%. After losing 37% since the start of 2020 Dream Industrial is very attractively valued making now the time to buy.

Quality diversified portfolio

Dream Industrial owns a portfolio of light industrial real estate across Canada, the U.S. and Europe. Dream Industrial finished 2019 with a net asset value (NAV) of $11.76 per unit, which is 35% greater than its current market value and highlights their considerable upside ahead.

As a result of that deep discount, Dream Industrial commenced a unit buyback where it intends to purchase up to 14 million units, or 10% of its public float. The REIT also suspended its distribution reinvestment plan (DRIP) to prevent the dilution of existing unitholders.

Dream Industrial will emerge from the current crisis in solid shape. It finished 2019 with a robust balance sheet. That included a conservative net debt to asset ratio of 23.7%, interest coverage ratio of 3.8 times and available liquidity of $592 million.

Dream industrial's robust fundamentals are underscored by its 96% occupancy rate and growing NAV, which at the end of 2019 was 11.5% higher year over year.

Positive long-term outlook

The REIT will experience solid growth once the coronavirus pandemic subsides and the economy returns to growth. Dream Industrial recently entered the European market acquiring 34 light industrial and logistics assets in the Netherlands and another three properties in Germany.

It will also benefit from the rapid adoption of online shopping and e-commerce, as online retailers require large logistics centres to manage inventory and send items to shoppers. Online retailing will expand in value by a notable 56% between now and 2023.

That act as a powerful long-term tailwind for industrial REITs because demand for industrial real estate will grow at a solid clip, thereby boosting asset property values and rents. The shortage of light industrial properties caused by decades of under investment in the sector will boost values.

While the coronavirus pandemic and the measures being implemented to contain the virus will have a sharp impact on bricks and mortar retailers, it could give online retailers a short-term boost.

This is because consumers will be able to comply with social distancing requirements and other restrictions on movement while being able to shop from the comfort and safety of home.

Foolish takeaway

Dream Industrial possesses solid fundamentals and growth prospects, underscoring why now is the time to buy. Patient investors, while they wait for Dream Industrial's stock to rally, will be rewarded by the monthly distribution yielding a juicy 8%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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mattdsmith