1 Top Canadian REIT on Sale to Buy Today and Profit From a Market Rally

Description

Canadian real estate investment trusts (REITs) have been hit particularly hard by the coronavirus market rout. The most vulnerable have proven to be hotel and retail REITs. Some analysts are claiming that Canadian residential REITs are attractively valued and prove resilient to the economic fallout from the coronavirus pandemic. The severity of the economic downturn indicates this may not be the case, however.

Nevertheless, one Canadian REIT which is poised to soar during a second half market recovery is **Dream Industrial REIT** (TSX:DIR.UN). The REIT's shares fell off a cliff when the market crashed in early March 2020.

Even after rebounding since that time, Dream Industrial is still down by 29% for year to date. There are signs that Dream Industrial is not only extremely attractively valued, but will also perform strongly despite the economic fallout sparked by the coronavirus.

Globally diversified portfolio

Dream Industrial owns a globally diversified portfolio of light industrial properties. Those real estate assets are located across Canada, the U.S. and the western European nations of Germany and the Netherlands. There are over 26 million square feet of gross leasable area across 263 properties which have a gross asset value of $2.9 billion.

The globally diversified nature of Dream Industrial's portfolio will mitigate the impact of the coronavirus recession on its performance. It also provides additional long-term growth levers, which will boost earnings. Ongoing rapid uptake of ecommerce and internet retailing will be a boon for Dream Industrial.

The reason? Despite the fact that internet retailers don't requiring bricks and mortar stores, they do require large logistics facilities to manage inventory and despatching products. Light industrial properties are the ideal real estate for this function.

As online shopping expands the demand for industrial real estate will grow at a healthy clip. This is particularly the case when given that global ecommerce sales are anticipated to grow by 56% in value between now and the end of 2023 to be worth US$6.5 trillion.

Even the coronavirus pandemic won't slow the rapid uptake of internet retailing. In fact, government closures of non-essential services and restrictions on movement sparked a sharp uptick in the use of online shopping.

Industrial properties are a class of commercial real estate which has long been ignored by REITs and investors in preference for more sexy shopping malls and office properties. As a result, decades of underinvestment have created a supply shortage, which, along with growing demand, will boost rents and asset values.

Strong fundamentals

Dream industrial finished 2019 with robust fundamentals that will allow it to emerge from the coronavirus pandemic and ensuing recession in good shape. These include finishing 2019 with a sterling occupancy rate of 95.8% and a weighted average lease term of just over four years.

Dream Industrial also has a solid balance sheet underscored by its particularly low net debt to assets ratio of 23.7% at the end of 2019 — less than half of many of Dream Industrial's peers.

When coupled with its extensive liquidity including $441 million in cash and $151 million in credit, Dream Industrial possesses the financial flexibility and resources to emerge from the current crisis in solid shape.

Foolish takeaway

The attributes discussed highlight Dream Industrial's strengths, growth prospects and ability to weather the current storm. The REIT's appeal is enhanced by its regular distribution yielding a very tasty 7%. While there is the risk of that payment being cut, it's highly unlikely.

It's important to note that Dream Industrial is trading at a 19% discount to its net asset value, highlighting why now is the time to buy.

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