1 Top Canadian REIT That Will Beat the Coronavirus and Soar Higher

Description

Like many **TSX**-listed stocks, Canadian REITS have fallen sharply as the coronavirus pandemic ravages the global economy. Many economists believe that it will spark the worst economic downturn since the Great Depression. Aside from airlines and entertainment venues, many of the hardest-hit stocks are traditional bricks and mortar retailers.

Already facing extinction because of the explosion in the popularity of internet shopping, the shuttering of non-essential services by governments has accelerated the demise of traditional retailers. This is weighing heavily on retail real estate investment trusts (REITs), boding poorly even for those with grocery anchored tenants likes **Slate Retail REIT**.

Rapidly growing internet retail

Not all retailers are suffering because of the pandemic, however. Internet shopping is booming because of governments across the globe shuttering non-essential businesses and placing restrictions on movement in order to contain the pandemic. Between now and 2023, global online retail sales are expected to expand by almost 56% to over US$6.5 trillion.

Online shopping behemoth **Amazon.com** recently reported that sales in Mach have exploded, including groceries, which, like other necessity-based retail items have traditionally proven immune to the retail apocalypse. Online grocery sales will keep growing even once the coronavirus pandemic ends.

While retail REITs will suffer — particularly those that thought they were immune to the retail apocalypse because they have major grocery chains — as anchor tenants, it will be a boon for industrial REITs. This is because while internet retailers don't require a bricks and mortar presence they require light industrial premises for logistics and inventory management purposes.

Industrial real estate boom

The rapid growth of internet retailing and e-commerce has sparked a marked increase in demand for light industrial real estate. This has been a segment of commercial real estate that has been ignored for decades.

Shopping centres received the lion's share of attention from investors, which saw a dearth of investment in light industrial real estate for years, leading to a shortage in inventory at a time when demand is growing at furious clip.

A combination of constrained supply and rising demand will cause asset values and rents for industrial real estate to appreciate at steady clip. That bodes well for REITs focused on industrial properties.

Buy this REIT today

One Canadian REIT which stands out is **WPT Industrial Real Estate Investment Trust** (TSX:WIR.U). It has lost 17% since the start of 2020, creating an opportunity to acquire a quality business at an extremely attractive valuation. WPT finished 2019 in with robust fundamentals. These included a very impressive 99% occupancy rate and weighted average remaining lease time of 4.9 years.

WPT is well-positioned to benefit from the considerable growth of online retailing and e-commerce, and indeed counts four e-commerce companies among its top 10 tenants, including Amazon, WPT's fourth-ranked tenant by annualized base rent.

This bodes well for stability of WPT's business and earnings growth.

Robust fundamentals

WPT finished 2019 with a conservative debt to gross book value of 43.6%, lower than many of its peers. The REIT had total liquidity of US$116 million at the end of March with only one mortgage to the tune of US$32 million maturing in 2020.

There are another US$73 million of mortgages due in 2021, but WPT expects to refinance all facilities when they fall due. Those numbers underscore the strength of WPT's financial position and ability to weather the current economic crisis.

WPT has collected 93% if its April rents helping to ease the short-term impact of the coronavirus on earnings. Second- and third-quarter earnings may decline because of tenants impacted by the virus seeking short-term rent deferments.

Foolish takeaway

WPT's solid fundamentals and high-quality tenants combined with growing demand for light industrial real estate bodes well for long-term earnings growth. Those characteristics will see WPT as one of the few Canadian REITs to emerge from the current crisis in solid shape.

Now is the time to buy WPT because it's trading at a 17% discount to its book value of US$13.31 per unit, highlighting the upside available. WPT's attractiveness is enhanced by its monthly distribution yielding a juicy 6.6%, making now the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/26
Date Created
2020/04/30
Author
mattdsmith