



## 2 Top REITs to Buy Amid Rising Interest Rates

### Description

Real estate investment trusts, or REITs, finished as one of the top-performing sectors of the S&P 500 in 2021. This sector generated 46.2% in total return (price appreciation plus [dividends](#)) in comparison to a 28.7% return for the index overall. Those are some pretty decent numbers.

However, given how hot prices have been, there's now some concern that REITs may cool off this year. Here's why I think **Dream Industrial REIT** ([TSX:DIR.UN](#)) and **Granite REIT** ([TSX:GRT.UN](#)) may be two top REITs to consider in this environment. Hint: industrial real estate is the place to be, in my view.

### Top REITs: Dream Industrial REIT

One of the leading industrial real estate trusts in the market is Dream Industrial REIT. This trust has brought impressive dividend income and growth to investors for some time. Much of this growth has come from a number of well-timed property purchases, which puts the company's portfolio of properties at more than 325 industrial buildings with a gross leasable area around 40 million square feet.

Size is important in the industrial real estate space, and Dream has a lot of it.

This trust's focus has been on high-quality urban logistics buildings, light industrial properties, and distribution centres. The trust operates in various regions, including Canada, the U.S., and Europe.

Recent results highlighted strength within the company's core business. Dream brought in net income of \$190 million, representing 133% growth compared to Q4 2020. Additionally, this REIT's net income was \$608.3 million on a year-over-year basis in 2021 — a 204% hike in comparison to \$200.1 million in 2020.

Overall, Dream Industrial remains my top pick in the industrial real estate space for Canadian investors. This REIT's strong [dividend yield of 4.6%](#) is one of many reasons to own this trust right now.

## Granite REIT

Another top industrial REIT I've had on my watch list for some time is Granite REIT. This trust's focus is on developing primarily industrial properties in Europe and North America. With several corporate offices, manufacturing facilities, and other logistics/warehousing properties, Granite REIT has perhaps a more diversified real estate portfolio than many of its peers.

For those seeking diversification, that's a great thing.

Notably, Granite REIT has garnered some impressive partnerships with key clients over the years. Granite's largest tenant is **Magna International**, an automotive parts and systems manufacturer. For those who don't know, Magna is a blue-chip Canadian company that's very stable. This core tenant provides tremendous cash flow stability. That's a great benefit to investors worried about this current economic outlook.

Like Dream, Granite's recent numbers were very impressive. The company's operating income came in at \$86.3 million last quarter, rising considerably on a year-over-year basis. While this REIT's growth numbers weren't as pronounced, Granite's cash flow stability is something that makes this trust worth considering right now.

## Bottom line

Overall, I think both Dream Industrial and Granite REIT make for great portfolio additions right now. Those seeking total returns in the industrial real estate space may want to consider these two options.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)

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