Want to Collect Dividends From Legalized Marijuana? Here’s How

Description

While cannabis stocks like **Canopy Growth Corp.** (TSX:WEED) have rewarded their investors via tremendous capital gains, Canada’s pot companies are still too young to return shareholder wealth by way of dividends or buybacks.

But fear not; if you’re an income investor looking to partake in the marijuana craze, you’re in luck, as Canada’s largest industrial landlord **Pure Industrial Real Estate Trust** (TSX:AAR.UN) is looking to make a bet on pot.

PIRET’s pot bet

Pure Industrial Real Estate Trust (also known as PIRET) is a name that should already be familiar to Canadian dividend investors. After all, it is the largest industrial landlord on the TSX with over 21 million square feet of rental space across 166 properties in the U.S. and Canada.

And according to a recent article from *Bloomberg*, PIRET intends to expand its total rental space almost two-fold to 40 million square feet as it looks to provide warehousing space for e-commerce clients and marijuana producers. As per CEO Kevin Gorrie, while PIRET will not be providing a space for producers to grow their weed, the company is in active negotiations with an unnamed marijuana distributor in Brampton, Ontario, which is seeking storage space for its products.

Best-in-class fundamentals

Even if you’re not into the whole pot thing, PIRET is still the best industrial REIT in Canada. Recently, PIRET finished off a strong third quarter in its 2016 fiscal year, which saw net operating income (NOI) and funds from operations increased 9.5% and 7.6% year over year, respectively.

Moreover, occupancy rates for the quarter also came in strongly at 95.3%, compared to 94.6% in December 2015. More importantly for dividend investors, PIRET currently pays a juicy 5.2% yield, even after accounting for the stock’s recent run up in price. This yield is also quite safe for the time being as PIRET’s payout comprises just 87.5% of its adjusted funds from operations (compared to 88.8% last year), while its debt-to-gross-book-value ratio comes in at a very manageable 43.4%.

While PIRET is currently trading within its historical valuation range and is relatively equal to its net asset value (as per **Bank of Nova Scotia** estimates), I believe there is still room to run here as PIRET is leveraged to grow in the marijuana industry and North American e-commerce — an industry projected to reach $2.4 trillion by 2018, according to *Bloomberg*, as nearly 28% of its revenue is derived from its biggest client, **FedEx**.

The bottom line

Sooner than later, we are going to see legalized marijuana in this country, and industrial REITs such as PIRET are an excellent way to get in on the action, while collecting a passive-income stream.

Furthermore, the availability of industrial space in Canada is at its lowest point in two years (it is also at its lowest in seven years down in the States) according to research from CBRE.

This means that more and more marijuana companies are going to reach out industrial landlords like PIRET, offering to pay a premium for space, as the industry begins to take off after legalization. Therefore, if you’re a little apprehensive about getting your feet wet with cannabis stocks, or are just looking for a good income stream, industrial REITs offer an excellent avenue into this budding sector.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/01
Date Created
2017/02/14
Author
ajtun