



3 Best-Performing Canadian REITS So Far in 2019

Description

Real Estate Investment Trusts have been largely attractive for their relatively high income yields, and some traditionally conservative bond investors have turned to the sector for dependable income during this decade of generally low interest rates globally, but most may not have been expecting epic capital gains as seen so far this year.

Individual equity REIT valuations are usually very stable, and it's unusual for unit prices to rise over 30% in six months, but the dovish interest rate outlook in North America has driven valuations upwards in record time, as sentiment no longer punishes high leverage.

I had [tipped investors never to ignore this asset class](#) this year, and here are some of the returns generated on selected positions so far in 2019.

Artis REIT

Artis Real Estate Investment Trust ([TSX:AX.UN](#)) has pulled off a marvellous unit price growth stunt this year after announcing a 50% distribution cut in November last year to reduce its AFFO pay-out rate from an unsustainable 111% to a record low 53% of analyst consensus 2019 AFFO and announcing a new strategic plan to unlock value on its diversified asset portfolio.

The trust holds a diversified portfolio of income generating properties serving the office, retail and industrial segments spread across the United States and Canada, with an improving committed occupancy rate of 94% by March this year and a growing same property net operating income of over 5% last quarter.

Units have made a good start to this year after rising 27.3% year-to-date, while the now safer distribution has topped that to a lucrative 30% gain in under six months.

Artis has been one of my recommendations [since November 30 last year](#). Units offer a 4.6% distribution yield today, and there could still be a little more price upside as the trust continues to aggressively buy back its units while restructuring its asset portfolio and the discount to net asset value

continues to disappear on its equity.

Summit Industrial Income REIT

Summit Industrial Income REIT ([TSX:SMU.UN](#)) has generated the most capital gains in this asset class so far this year after providing investors with 40% in price returns alone, while its juicy distribution added that to a 42% total return on a year-to-date basis.

Summit owns and is growing and managing a portfolio of light industrial and other properties across Canada. The trust has been reporting some wonderful news over the past few quarters after acquiring new properties last year and growing revenues, net operating income (NOI) and funds from operations (FFO) by around 60% year over year to March 2019.

Industrial occupancy levels increased to 99.4% by March this year with 2019 renewals showing a strong retention rate of 99.8%, while same property NOI grew nearly 5% last quarter. Trustees approved a 4.7% increase to the monthly distribution this year to yield roughly 4% annually.

Dream Industrial REIT

Another 30% total return so far this year has been generated on **Dream Industrial Real Estate Investment Trust** ([TSX:DIR.UN](#)). Units are trading at a significant premium to their reported \$10.61 per unit net asset value exit March this year.

Dream Industrial currently owns a diversified portfolio of 246 geographically diversified portfolio of industrial distribution and warehousing properties in Canada and the United States, but there are ongoing acquisitions and portfolio restructuring initiatives that may change portfolio composition during the third quarter of this year.

The trust has been reporting impressive operating income, FFO and net asset value growth numbers while maintaining healthy portfolio occupancy levels over recent quarters, and its sector low leverage at a 42.4% debt ratio by March this year allows it to significantly tap capital markets for new funding to continue growing the asset and income generation base in the long term.

Units offer a monthly distribution that yields 5.8% at the time of writing.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. REITs

TICKERS GLOBAL

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

3. TSX:SMU.UN (Summit Industrial Income REIT)

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