Dream Industrial Real Estate Investment Trust (DREUF)

Updated March 28th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$8.03	**5 Year Annual Expected Total Return:**	5.7%	**Market Cap:**	$2.34 B
Fair Value Price:	$7.70	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	03/31/2025
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.8%	**Dividend Payment Date:**	04/15/2025
Dividend Yield:	6.1%	**5 Year Price Target**	$8.09	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:** Real Estate		**Rating:**	Sell

Overview & Current Events

Dream Industrial REIT is an industrial REIT that owns and operates a high-quality portfolio of urban logistics and light industrial properties. At the end of last year, the trust managed 335 assets, totaling about 71.8 million square feet of gross leasable area across Canada, the United States, and Europe. The portfolio is primarily composed of multi-tenant buildings, with a portion in single-tenant properties, and is well-diversified across key industrial markets. Dream Industrial is listed on the Toronto Stock Exchange under the ticker DIR.UN and trades in the U.S. under the symbol DREUF, with a market capitalization of about $2.34 billion.

On February 18th, 2025, Dream Industrial REIT posted its fiscal 2024 results for the period ending December 31st, 2024. Total net rental income rose to about $245 million, up 6.4% year-over-year, powered by strong leasing spreads and contributions from new developments. Same-property net operating income increased by 4.6% to around $243 million, supported by a 95.8% occupancy rate and over 7.3 million square feet of leases signed at spreads averaging 35.6%.

The Trust completed over 1.6 million square feet of development during the year and added $180 million in acquisitions through its joint ventures, while recycling about $96 million of non-core assets. Funds from Operations (FFO) came in at $199 million, or $0.70 per unit, more or less flat year-over-year. This was due to interest expenses and lower occupancy offsetting higher rental income and management fees.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/U	$0.70	$0.68	$0.73	$0.63	$0.60	$0.56	$0.64	$0.66	$0.74	$0.70	***$0.70***	***$0.74***
DPU	$0.50	$0.52	$0.56	$0.51	$0.54	$0.55	$0.55	$0.52	$0.53	$0.49	***$0.49***	***$0.51***
Units[1]	58.6	59.6	75.1	92.1	134.8	152.7	233.9	256.6	273.2	277.8	***277.8***	***145.0***

Even though Dream Industrial has grown its portfolio dramatically (from about 19 million square feet in 2015 to over 71 million last year), its FFO per unit in USD has barely moved over that time, sitting at roughly $0.70 in both 2015 and 2024. One obvious factor is currency: since the REIT reports in Canadian dollars, a weaker Canadian dollar over time has dragged down the USD equivalent.

But FX aside, there are other important reasons. Much of the portfolio growth has come through issuing new equity and forming joint ventures. This means that while total FFO has grown, it is spread across more units. That has held the per-unit numbers back. On top of that, the REIT has taken a long-term approach of investing in development projects and value-add initiatives that take time to stabilize and don't always boost FFO right away. Add to that a higher interest rate environment in recent years, which has made debt more expensive, and you're left with a situation where even solid operating performance gets offset elsewhere.

Because of this, the distribution has stayed stable at $0.70 in CAD per unit annually since the company began issuing dividends in January of 2013. Dividends are paid monthly. We have incorporated a 1% CAGR in both our FFO/unit and DPU through 2030, assuming that current headwinds (weak FX, interest rates) improve in the coming years.

[1] In millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
P/FFO	7.60	9.5	9.7	11.1	11.8	12.7	18.8	15.7	13.9	13.8	***11.5***	***11.0***
Avg. Yld.	9.8%	8.2%	8.0%	7.4%	5.0%	6.2%	4.6%	5.2%	5.2%	5.1%	***6.1%***	***6.4%***

Dream Industrial's ten-year average price-to-funds from operations ratio (P/FFO) is 12.5, but this has expanded notably to 15.0 over the trailing five years. Today, the REIT appears undervalued at 11.5 times our expected FFO per unit for the year. However, we believe that the stock deserves to trade at an even humbler multiple given the lack of noteworthy growth in FFO per unit and DPU over the years, as well as our modest growth estimates. The dividend yield now stands at 6.1%, and we expect it to be the main contributing engine of returns for investors in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

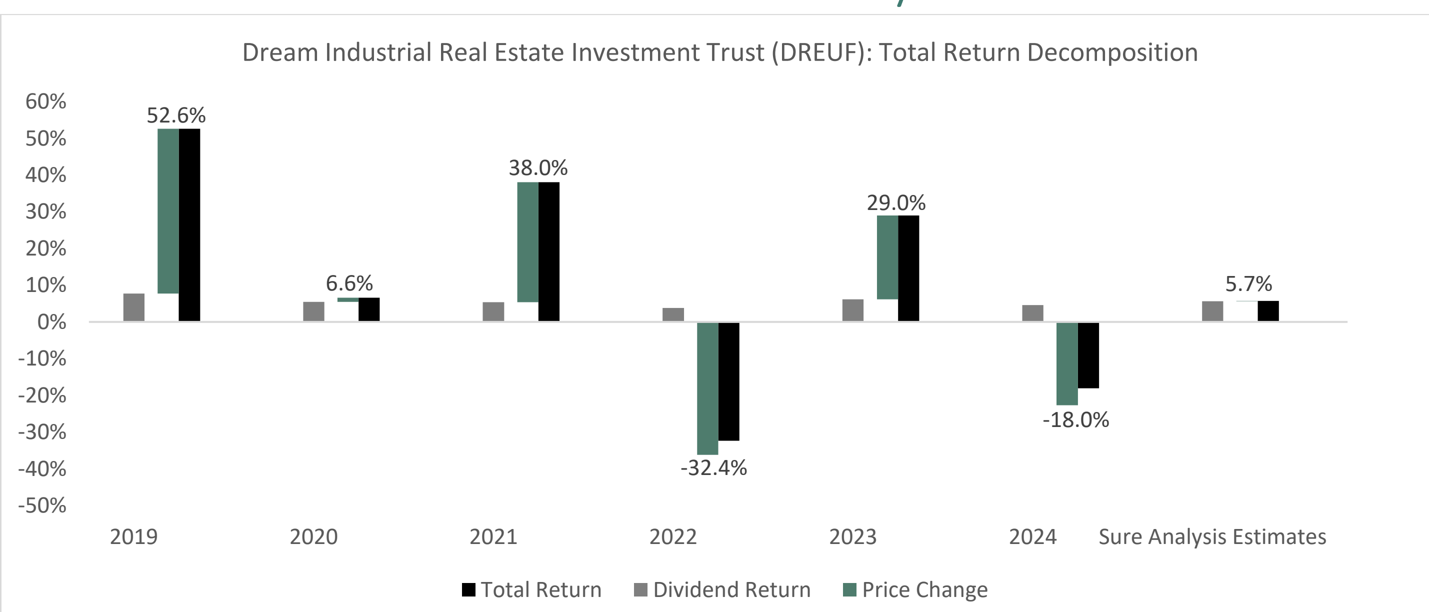
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	71%	76%	77%	81%	90%	98%	86%	79%	72%	70%	***70%***	***70%***

Dream Industrial's portfolio is anchored by high-quality, functional industrial properties located in major urban logistics markets across Canada, Europe, and the U.S. These are core, infill locations that benefit from limited supply, strong tenant demand, and long-term land value. The Trust focuses on maintaining modern, versatile space that appeals to a broad range of tenants in critical sectors like warehousing, distribution, and light manufacturing. This focus essentially helps support high occupancy, which stood at 95.8% at the end of 2024, and strong leasing momentum. While it wasn't public during the Great Financial Crisis, the REIT maintained stable occupancy and cash flow during the COVID-19 pandemic, underscoring the essential nature of its tenant base and the overall resilience of industrial real estate.

Final Thoughts & Recommendation

Dream Industrial REIT offers stable income from a high-quality industrial portfolio, but per-unit growth has been lacking despite significant expansion, due to dilution from equity issuance, rising interest costs, and the lag between investment and earnings contribution. Its steady payout and defensive asset base continue to appeal in uncertain markets, though. We expect annualized returns of 5.7% moving forward, to be driven mainly by the monthly dividend. That said we rate the stock a sell.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	139	132	133	124	147	176	231	284	324	340
Gross Profit	94	89	90	88	105	126	174	216	247	259
Gross Margin	67.5%	67.2%	67.8%	71.2%	71.2%	71.6%	75.2%	76.2%	76.4%	76.2%
SG&A Exp.	10	11	9	10	11	15	21	26	27	28
D&A Exp.	0	0	0	0	0	0	1	2	2	3
Operating Profit	83	78	81	78	94	111	153	190	220	232
Operating Margin	60.2%	59.2%	60.7%	63.2%	63.8%	63.1%	66.0%	66.9%	68.0%	68.1%
Net Profit	28	(2)	27	122	135	149	485	543	77	189
Net Margin	19.9%	-1.5%	20.1%	98.2%	91.9%	84.8%	209.9%	191.0%	23.8%	55.7%
Free Cash Flow	39	30	40	49	82	95	102	54	224	216
Income Tax	0	(0)	0	1	6	6	24	15	(1)	7

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,240	1,230	1,438	1,586	2,215	2,761	4,748	5,364	5,924	5,660
Cash & Equivalents	1	5	43	4	338	200	129	62	38	56
Accounts Receivable	1	1	1	1	2	3	1	20	10	7
Total Liabilities	788	791	871	860	1,021	1,268	2,003	2,084	2,475	2,363
Accounts Payable	0	1	11	16	20	26	57	65	57	47
Long-Term Debt	665	644	708	688	777	987	1,604	1,778	2,146	2,069
Shareholder's Equity	452	438	566	726	1,194	1,494	2,745	3,281	3,449	3,296
LTD/E Ratio	1.47	1.47	1.25	0.95	0.65	0.66	0.58	0.54	0.62	0.63

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.0%	-0.2%	2.0%	8.0%	7.1%	6.0%	12.9%	10.7%	1.4%	3.3%
Return on Equity	5.6%	-0.5%	5.3%	18.8%	14.1%	11.1%	22.9%	18.0%	2.3%	5.6%
ROIC	2.2%	-0.2%	2.3%	9.0%	8.0%	6.7%	14.2%	11.5%	1.5%	3.5%
Shares Out.	58.6	59.6	75.1	92.1	134.8	152.7	233.9	256.6	273.2	277.8
Revenue/Share	1.59	1.50	1.46	1.15	1.10	1.04	1.07	1.11	1.15	1.17
FCF/Share	0.45	0.34	0.44	0.46	0.61	0.56	0.47	0.21	0.80	0.74

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.