



## Collect \$1,000 in Monthly Rent From Dream Office Real Estate Investment Trust

### Description

Especially since the Great Recession, real estate has become a popular investment for Canadians.

There are many reasons for this. The real estate market recovered quicker than the stock market after the 2008-09 meltdown, which means investors perceive it as safer. Markets like Toronto and Vancouver are hitting new highs, with no end in sight. Investors tend to focus on what's happened recently, so headlines of new record prices encourage real estate investors to keep on investing.

There's also the easy ability for the average real estate investor to get financing. Thanks to government policies encouraging home ownership, many landlords are able to put just 5% down on a property. And when the value of these properties keep going up, landlords just rob the equity from the first property and use it as a down payment on the second one.

But there are disadvantages to investing in real estate too. Price appreciation has brought cap rates down to nearly zero. Owners have been making that up on price appreciation, but that won't last forever. Imagine buying a condo at a 3% cap rate and having it go down in value. I'd sell that condo pretty quickly if that ever happened to me.

There's also the day-to-day management of managing rental properties. Sure, you could hire a property manager to do that stuff, but that cuts down profits significantly. And there's no scale advantage to hiring a property manager to be in charge of one unit.

Finally, there's a lack of diversification. Owning a condo or two in one city is hardly spreading the risk around. If something city-specific happens, it's very bad news for the owner.

Fortunately, there's an easier way to get exposure to real estate that's professionally managed, diversified, and more irreplaceable than a cookie-cutter condo. It's through a real estate investment trust (REIT).

### Reasons to prefer Dream Office

One of my favourite REITs is **Dream Office Real Estate Investment Trust** ([TSX:D.UN](#)).

Dream is the owner of some of Canada's most prestigious office buildings. It owns 176 properties across Canada, with more than 24 million square feet in gross leasable area. Almost 40% of its buildings are located in the Greater Toronto Area.

Dream's tenants are far better than the average person you'll find on Kijiji, too. Companies such as the **Bank of Nova Scotia**, **BCE**, and **Enbridge**, as well as various levels of government, rank among Dream's biggest tenants. Investors don't have to worry about those companies losing the cheque in the mail.

Investors have beaten up Dream shares lately, pushing them down to close to a 52-week low on concerns that weakness in the Calgary office market will cause the company to cut the dividend. But the company continues to post results out of Calgary that aren't nearly as bad as investors expect, and that exceed the average for the city.

The dividend also looks to be secure. Analysts are expecting adjusted funds from operations to come in at \$2.36 per share for 2016, while the company pays out \$2.24 per share in distributions. There isn't much wiggle room there, but the dividend looks to be sustainable at least through 2016.

Dream's yield is much better than the average rental property; shares are currently paying an eye-popping 10.4% distribution. The reason why this is so high is because investors have sold off this stock to the point where it trades at a 30% discount to the net asset value of the whole company.

Essentially, investors are only getting a 6.5% yield on the value of the assets. The yield is so high because of the discount. Buying Dream at today's prices is like buying a condo for 30% off.

If you're looking to create a passive income machine using Dream, buying just 5,500 shares, for a total cost of just under \$119,000, would get you \$1,000 per month before any commissions. Each share pays \$0.18666 monthly, which works out to about \$12,300 per year.

This deal might not be around forever. To lock in your dividends, you need to become a shareholder by October 28. And there is the risk the company eventually cuts the dividend. But at least to this real estate investor, it sure seems like a better deal than a condo.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)

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