Dream Office Real Estate Investment Trst Is a Great Investment

Description

Real estate investment trusts (REIT) own and operate dozens, if not hundreds, of real estate properties that produce monthly rental income. Investors in REITs receive monthly income from the REIT from their investment, and because REITs have so many properties, the investor is essentially diversified across many properties.

As far as REITs go, there are fewer options that are better in the market today than **Dream Office Real Estate Investment Trst** (TSX:D.UN). Here are a few reasons why you should consider adding the company to your portfolio if you haven't already.

Locations–both good and not so good

Dream Office has a whopping 174 properties across Canada with occupancy rates that are north of 90%. The company has over 20 million square feet across those properties with roughly 40% of properties located in the ultra-expensive Greater Toronto Area and 26 of these in the downtown core. On a personal note, my daily commute once consisted of walking through no less than four of those properties in the PATH system in downtown Toronto.

As great as that is, the same can't be said for the company's properties in Alberta. With the oil and gas industry cutting costs to keep up with falling oil prices, occupancy rates of office towers in Calgary are starting to decline. In some cases companies are starting to sub-lease space to offset costs.

In the most recent quarter the company reported that 53% of expiring leases for 2016 have already committed to renewing, which is up considerably over the previous year.

The bulk of the Calgary-based companies are slated to go up for renewal within the next three years, which is a mixed blessing. On one hand, three years is ample time for the oil industry to improve, which would lead to companies renewing or expanding.

On the other hand, the oil and gas market has already fallen significantly, so renewals coming up in the shorter term may not be as positive as the longer-term renewals, and the potential for the malaise inthe oil and gas sector spilling over into other segments of the economy is a real possibility.

Distributions are a great source of income

Dream Office currently trades at $14.57, a considerable ways off from the 52-week high of $28.50 set last year. Year-to-date, the stock is down by 16%, much like the entire market. Extending this figure out to a full 12-month period shows a drop of over 45%.

Distributions are currently set at $0.19 per share monthly, giving the company an impressive yield of 15.37%. Given the current lower price of the stock, reinvesting distributions back into the company over the short term can be a relatively painless method for investors to increase their holdings and potential revenues.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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