Invest in Dream Office Real Estate Investment Trst and Watch Your Portfolio Soar

Description

Have you ever wanted to become a landlord but don't want to worry about dealing with tenants or making costly repairs? Investing in real estate investment trusts (REIT) is an easy way for investors to become like landlords over potentially hundreds of properties without the same risks or expenses that a traditional landlord has.

REITs typically own dozens, if not hundreds, of real estate properties scattered across a large area, all of which generate rental income. This rent eventually makes its way into the pockets of investors through distributions that are typically paid out monthly.

One REIT on my watch list is **Dream Office Real Estate Investment Trst** (TSX:D.UN). Here's a look at what Dream Office can offer investors and why the company should be a part of your portfolio.

Dream Office is big

Dream Office has combined assets of over 22 million square feet focused primarily on business locations with an emphasis on the major urban areas in Canada. The company has over 40% of all investments in super-expensive downtown cores; the major urban areas of Toronto, Montreal, and Vancouver comprise the vast majority of those assets.

Suburban assets around the major metro areas make up a further 35% of the company's portfolio, and a final 22% are comprised of what the company deems as value-added secondary metro areas of Calgary, Kitchener, Edmonton, and Yellowknife.

Across all of the areas, Dream maintains an occupancy rate in excess of 90% with a weighted average lease term of 4.7 years. This figure is impressive considering the weakened state of the Albertan economy and that the company has locations in both Calgary and Edmonton.

Dream Office trades at a discount

Dream Office currently trades at $18.60 and is up year-to-date by nearly 7%. Over the past 12-month period the stock is down by 25%. Earlier this year the company sharply cut the distribution due to lower revenue projections for the year. This helped push the stock lower.

The current monthly distribution is set to $0.12 per share, giving the stock a very healthy 8.06% yield.

Investors thinking of investing in Dream should take note that according to company management, the stock price should be closer to $33 per share, not the sub-$19 the stock trades at now. The company is actively looking at selling some assets to both pay down debt and to buy back shares. This will give the stock price a boost, make the company more financially sound, and give shareholders more value for their investment.

To that end, the company recently announced the sale of 16.67% of its interest in Toronto's Scotia Plaza. The deal, which should be finalized later this month, will see Dream maintain a 50% interest in Scotia Plaza. Dream should realize net proceeds of nearly $115 million from the deal prior to any closing costs and adjustments related to the transaction.

In my opinion, the potential that Dream Office holds for investors over the long term outweighs any short-term weakness in the stock.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/07/31
Date Created
2016/06/23
Author
dafxentiou