Collect $1,000 Per Month From Dream Office Real Estate Investment Trst

Description

Who wants to deal with all the hassles of owning physical real estate?

Think about all the work that goes into renting out a condo or a house. First you have to drive over to show the place, likely more than once. Then you have to check the background of your chosen tenant, pull their credit report, and so on.

Next, you have to deal with the tenant. That includes collecting rent, fixing things they break, and even finding solutions to problems that aren't even your fault, like crummy neighbors. And let's not even talk about the potential of having to fix plugged toilets or getting a 4:00 a.m. emergency call about a burst pipe.

Now imagine having to deal with all of this while only getting a cap rate of 3%. That's the reality in the downtown of Canada's two major real estate markets, Toronto and Vancouver. Things are a little better in other major centres, but not much.

Fortunately, there's an easier solution. Investing in REITs gives people access to a truly passive real estate investment that pays generous dividends. It doesn't get much better than that.

The only question left to ask is, what REIT should investors choose? Here's the case for investing in **Dream Office Real Estate Investment Trst** (TSX:D.UN).

Wait. That one?

Dream has spent much of the last year in the news for all of the wrong reasons.

The company's portfolio is weighted towards Alberta–specifically Calgary–which is not a good thing in 2016. The company owns more than 21.5 million square feet of gross leasable area spanning more than 200 different buildings. About 20% of its net operating income comes from Calgary and close to 30% comes from Alberta.

Dream's share price got hit hard by Alberta's weakness, falling nearly 35% since the beginning of

2015. As it became more and more apparent that earnings from the province were going to be weak for much longer than first thought, Dream's management did the prudent thing and slashed the company's dividend, reducing the monthly payout from $0.1866 to $0.125 per share.

But Dream isn't taking all of this lying down. Management is making astute moves, including selling what are deemed to be non-core assets in places where the office market is still strong. The company will use this cash influx to strengthen the balance sheet.

Even though Dream recently wrote down the value of its Alberta assets significantly–which hit net asset value hard, dropping that value from more than $32 per share all the way down to $23–the company's shares still trade at a discount of approximately 30% to their true value. And remember, as Alberta recovers, so will the price of Dream's assets owned in the province.

Finally, Dream's new dividend is truly sustainable and provides an excellent yield of just over 9%. In the first six months of 2016, Dream earned $1.33 per share in funds from operations. That puts it on pace to earn $2.66 per share for the year, while the new dividend only comes to $1.50 per share. That's a payout ratio of just 56%.

Earn $1,000 per month

Dream gives investors the opportunity to get paid handsomely while waiting for the share price to recover.

Compared to other investments, it doesn't take much initial capital to get a lot of monthly cash flow from Dream. An investment of 8,000 shares would generate $1,000 per month in dividends. This would cost approximately $133,000.

Perhaps $1,000 per month is a little much, and a goal of $100 per month is more obtainable. To do that, an investor would need to invest approximately $13,300 in 800 Dream shares.

And remember, there's definitely potential for the dividend to increase as Alberta recovers and tenants start moving back into abandoned Calgary towers.

Yes, Dream Office REIT doesn't look particularly healthy right now. But it'll get over these temporary problems, and investors are paid a generous dividend for their patience. It doesn't get much better than that.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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