



## What You Need to Know About Dream Office Real Estate Investment Trst

### Description

One of the first things you'll notice about **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) is its juicy yield of 8.5%. However, its units are 45% lower than they were five years ago.

Is it priced at a good value, or should you avoid it altogether?

Here's what you need to know before making a decision.

### A business overview

Dream Office REIT owns office properties totaling 20.8 million square feet in central business districts and suburban areas across in Canada.

Its portfolio has an average remaining lease term of 4.7 years, an occupancy of 88.9%, and it generates 70% of its NOI from central business districts.

It has six million square feet (almost 29% of its total area) in its core properties, which represent about 47% of its portfolio value and generate 40% of its net operating income (NOI).

Its core portfolio is higher quality with an average remaining lease term of 5.8 years and an occupancy of 98%. Additionally, it generates 96% of its NOI from central business districts.

office building reaching the sky

### Tenants

Dream Office REIT has a diversified tenant mix. It leases 23% of its portfolio to finance and insurance companies, 19% to the government, 16% to science and technical services companies, and 42% to nine other industries.

Dream Office REIT's top 10 tenants has an average credit rating of AA-. They include recognizable names such as the government of Canada, **Bank of Nova Scotia**, the government of Ontario, **Bell Canada**, the government of Alberta, the government of Saskatchewan, and **Enbridge**.

### **Most importantly...**

Dream Office REIT is in a transitioning phase. Since February, the REIT has been selling \$1.2 billion of properties to reduce debt and to attempt to nudge the unit price higher towards its net asset value (NAV) per unit.

In February, the company also slashed its distribution by a third and eliminated the distribution-reinvestment plan. The former helps to strengthen its balance sheet. The latter prevents dilution for current unitholders.

### **Valuation**

At the end of September, Dream Office REIT's NAV per unit was \$23.46. At \$17.70 per unit, it is priced at a discount of a little over 24%.

### **Distribution**

Dream Office REIT's adjusted funds from operations payout ratio is expected to be below 80% this year. So, its distribution should remain safe. However, its asset sales will bring the payout ratio higher.

### **Conclusion**

Dream Office REIT has a sizeable exposure to Alberta, as it generates 27% of its NOI from there. So, it is affected by the slowdown in the Albertan economy. Moreover, the company is in the process of selling \$1.2 billion of assets to strengthen its balance sheet.

So, to be cautious, interested investors should consider its units when they're 30-50% below its NAV, implying a price range of \$11.73-16.42 per unit.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

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

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## Tags

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