



The Recovery at Dream Office Real Estate Investment Trst Is Well Underway!

Description

Over the past several months, much has been written about the potential at **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) and the opportunity it presented to investors. It would seem after an excess of three months, shares have finally bottomed and are beginning to rise again. In fact, shares may be approaching a major breakout.

Summary

The company owns and rents office across Canada. Although they are well diversified across the country, Toronto and Alberta represent close to 50% of the entire portfolio. If we add in the area surrounding Toronto, the amount increases to 70%. Clearly, the major cities in the country represent a significant amount of the portfolio. Alberta represents 28% of the GLA (gross leasable area).

Why have we talked so much about this company?

Throughout 2016, reality finally caught up with ambition. The company was forced to cut the monthly distribution to be in line with FFO (funds from operations), which is a measure of how much cash is available to unitholders in the form of distribution. Following this, the company wrote down the values of a number of their properties, bringing down the book value of their shares to approximately \$23.75.

The problem with the bad news is that it was spread out over a period of months. It seemed every time the bad news was behind us, there was another announcement. Let's take a look forward.

What's ahead of us

Currently sitting at a price just above \$18 per share, the company is offering a yield of approximately 8.25%. The best part about this is after the first three quarters, the distributions totaled \$1.19 per unit, while FFO was \$1.95 per unit. The bottom line is, this distribution is more than sustainable at current levels. The bad news is behind us.

Given what has happened with the price of oil and the rental market in Alberta, it is normal for the market to have priced in lower rental rates. After almost two years of low oil prices, however, we may

be coming out of this bear market. We can potentially see the rainbow on the horizon. Offices will again be rented in the province of Alberta.

Why are we buying now?

After considering the financial information, patient investors can finally see the stabilization and now the breakout of the company.

With a 10-day moving average of \$17.88, a 50-day moving average of \$17.03, and a 200-day moving average of \$18.50, the stock is currently trading up from its lows of approximately \$17 in the past three months, and if it can cross the 200-day moving average of \$18.50, there may be another major step towards the book value mark of \$23.75.

Let's not forget, this is a REIT with very stable cash flows. A 20% increase would be a huge increase in value.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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