



Another Opportunity to Buy the Dream

Description

After surpassing the \$20 mark a few weeks ago, shares of **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) have pulled back to approximately \$19 per share, offering investors a yield of almost 8%. With a clear path to prosperity, investors may be wise to purchase shares sooner rather than later.

The math on dividends is sometimes very straightforward, while at other times it's more difficult to figure out. In the case of yield on cash (YOC), it should be pretty simple. For an investor purchasing shares of Dream Office Real Estate Investment Trst at a price of \$19, the YOC will be 7.895%, assuming no change in the dividends paid in the next year. For investors wanting a yield of 8%, we can take the yearly dividend of \$1.50 and divide it by 8%, leading us to a share price of \$18.75 — not far off the current mark.

Using the same math, investors wanting a 9% yield would have to purchase shares at \$16.67, which would obviously be a much more attractive price than the current \$19. The beauty of buying at a lower price in addition to the higher yield is the ability to receive more shares for the same amount of capital. This in turn translates to more total income.

Several months ago, this company traded at a price under \$16.67. For retail investors with only \$1,000 to invest, the price made a lot of sense. Had an investor bought at a price of \$16.67, the \$1,000 would have netted 60 shares, translating to monthly income of \$7.50, or yearly income of \$90. The YOC would have been 9%. At today's prices, the YOC is 7.9%, and the same \$1,000 would fetch a new investor 52 shares, leading to monthly income of \$6.50, and yearly income of \$78 — a huge difference.

The key to a high YOC and higher monthly income is buying at the right price.

In the case of Dream Office Real Estate Investment Trst, the yield may not be as juicy today as it was only a few months ago, but the company is on much more solid footing. Investors entering a position can expect to see consistent dividends paid as the company is no longer allowing the dividends to bere-invested into new shares. Basically, the share count will not be expanding as a result of a highdividend. The dividend was cut almost one year ago to the lower monthly amount of \$0.125 per unitper month, which is now sustainable for the long run.

The final piece of upside potential is the tangible book value per share. At a value of \$23.75, the shares at \$19 trade at 80% of tangible book value — a real steal. The headwinds that investors will face is the realization of the true value of the shares. When a company cuts the dividend, even with good reason, the punishment can go on for a very long time.

In an environment where investors are desperate for yield, there is no reason shares shouldn't be trading at \$24 and yielding 6.25%, similar to competitor **Pure Industrial Real Estate Trust** (TSX:AAR.UN), which trades at 105% of tangible book value and currently yields 5.6%.

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2. Investing

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Date

2025/08/18

Date Created

2017/01/30

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