Become a Landlord With Dream Office Real Estate Investment Trst

Description

There has never been a time in recent memory where real estate values have been at their current levels. With the average price of home in Toronto and Vancouver now well over half a million, the dream of being a landlord for buyers seems to be drifting further away.

Even for those that do manage to purchase an investment property, the maintenance and preventative work required to keep the home habitable can itself seem like a full-time job. And this isn't even factoring the time needed to chase down tenants for their latest monthly cheque.

Fortunately, there are other options that provide most of the good points with relatively few of the bad points: investing in a REIT.

One REIT that continues to catch my attention of late is **Dream Office Real Estate investment Trst** (TSX:D.UN). Dream's portfolio is primarily comprised of office space in the major metro areas of the country. In all, Dream boasts an impressive portfolio of over 20 million square feet of space.

Here are a few reasons why I'm loving the stock right now, and why it should be part of your portfolio if it isn't already.

A steady stream of revenue

The bulk of Dream's operating income — nearly 40% — comes from a little under a third of the company's portfolio; this includes the core holdings of the company. Most of these tenants constitute leaders in the finance, energy, and technology sectors of the market, which makes the likelihood of one of them leaving fairly slim.

In turn, this helps produce a steady stream of revenue for the company.

The Alberta write-down

Last year, Dream recorded a fair-value loss of nearly $750 million, primarily due to the weakened economy in Alberta. That write-down effectively caused some investors to run for the hills, driving the stock down as much as 20%. Dream was ultimately forced to reduce the distribution and come up with a strategic plan to improve the health of the company.

So how is this good news? Those under-valued holdings in Alberta are worth more than what the market says they are. And as the economy in Alberta improves, those vacancies will be filled and revenues will start flowing in again.

Net asset value

The net asset value (NAV) is the value of all the real estate held by the company broken down by share price. In the case of Dream, that NAV sits just shy of $24 per share. In other words, if all of Dream's assets were to be sold, the value of each share would be just under $24.

In terms of a stock price, Dream just crept over $20 per share this week for the first time since last spring. What does this mean for investors? Dream can be purchased for a nearly 20% discount over the NAV price.

Is Dream a good investment?

Perhaps one of the most compelling reasons to invest in Dream is the distribution the company offers. Dream currently pays one of the bet distributions on the market. The monthly distribution of $0.125 per share provides $1.50 per year to investors with an impressive yield of 7.49%.

In my opinion, Dream represents one of the best opportunities on the market for investors that are looking for both long-term growth and income. Between the 20% discount on price and the 7.49% distribution, Dream is an income-growth machine.

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

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dafxentiou