



## Why Dream Office Real Estate Investment Trst Really Is an Investor's Dream

### Description

This past Friday, shares of **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) increased in value close to 4.5%, moving from \$19.06 to \$19.91 per share on the news that the company is disposing of the financial interest in Toronto's Scotia Plaza and is reducing the dividend.

While the announcement seemed like mixed news, this may in fact be the best possible course of action for long-term investors.

Although the receipt of dividends is typically an excellent outcome for investors, the reduction in the company's dividend per share from \$1.50 to \$1.00 may lead to a more sustainable yield with the potential to increase the share price down the road. As of March 31, 2017, the total number of shares outstanding were approximately 103 million with a dividend which would have cost the company a total of approximately \$155 million. Given the reduction, the company will now have to commit only \$100 million to these payments.

For long-term investors, it gets better. With the money raised from the sale of these assets, the company is accelerating the strategic plan which will see the gap between the share price and the net asset value per share (NAVPS) decrease. Company management has set the goal of increasing the share price.

By speeding up the strategic plan, company management has undertaken an accelerated share buyback called a substantial issuer bid. The difference between a substantial issuer bid and a normal course issuer bid is in the quantity of shares bought back by the company. When a company buys back a "normal" number of shares, meaning within the guidelines set by the exchange, it is a normal course issuer bid.

In the case of Dream Office Real Estate Investment Trst, going beyond the limit set by the stock exchange means either negotiating directly with individual shareholders, or making a partial tender offer for a certain number of shares.

For investors looking for value, the NAVPS is where it will be found. Currently, with tangible book value of \$22.30, the company has announced intentions to repurchase up to \$400 million worth of shares.

Assuming an average purchase price of \$20, the total number of shares would decline by 20 million, and the equity in the company would follow suit, declining by \$400 million.

The new NAVPS would be close to \$22.80 with only 83 million shares outstanding. The icing on the cake would be the reduction in total dividends paid (from the company's perspective) from close to \$100 million to approximately \$83 million. Shareholders receiving an annual dividend of \$1 per share would still be receiving a yield of 5% (or more), while waiting for shares to move closer to the NAVPS. With any luck, the NAVPS will also increase along the way as more cash from operations will be retained inside the company, building the equity once again.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

## Category

1. Dividend Stocks
2. Investing

## Date

2025/08/17

## Date Created

2017/06/26

## Author

ryangoldsman

default watermark

default watermark