



Is Dream Office Real Estate Investment Trst in Bargain Territory Again?

Description

A few weeks ago, **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) made the major announcement that it would be liquidating one of Canada's crown jewel properties.

The company's interests in Toronto's Scotia Plaza would be sold for \$1.4 billion. Although this is one of the company's pillar investments, the news was not taken as positive as many would expect.

While shares traded up on the news, the reality is that the interest from investors has subsided since that time, and shares have since fallen to under \$19 per share.

In conjunction with the sale of Scotia Plaza and another \$300 million of property, the company also announced that the distribution would be cut from an annual amount of \$1.50 to \$1 per share. The dividend frequency would continue on a monthly basis.

Although a dividend cut is typically taken as a negative development for shareholders, it should be noted that the dividends paid by Dream Office have typically been excessive. The lower dividend payout will increase the sustainability of the dividend, making shares more attractive from both a capital-appreciation and dividend standpoint.

Given the recent developments, the money received by the company from the sale of crown assets, a tender offer was announced. Via dutch auction, shares will be bought back at prices between \$18 and \$21 per share in increments of 25 cents. The benefit for both the company and the shareholders is the ability to get a "deal" when buying or selling the shares.

Given the dutch auction format, the company will have the opportunity to purchase shares at a price that is less than the current market price.

While most investors would not consider this price appropriate, it is important to note that for very large investors, liquidity is sometimes a problem. If any of these investors chose to sell out, then the other shareholders would benefit.

The advantage for investors participating in the dutch auction format is the opportunity to receive a

price per share That's higher than the current market price. The company has made it clear that the maximum price at which shares would be bought back is \$21. Investors could receive a premium of 10.5% in excess of the market price.

Although shares have traded at approximately \$16 over the past year, it is important to note that the price of \$19 has come back time and time again throughout the year. The \$19 price tag is currently acting as a support price for shares of the company.

For investors looking for quality companies that trade at a discount to tangible book value, shares of Dream Office Real Estate Investment Trst may just be what's needed. Barring any immediate capital appreciation, the dividend remains a healthy 5.25% at current levels.

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1. Dividend Stocks
2. Investing

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

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Author

ryangoldsman

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