



## Bargain-Hunting Dumpster Divers: Don't Get Burned by This Dumpster Fire

### Description

Many young or inexperienced investors seeking to create portfolios of passive income for retirement often look to companies with very attractive yields but poor underlying fundamentals. One such value trap is **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)).

Dream REIT is one of those companies that simply looks too good to ignore.

While the company has been touted as a value play for some time now, investors who have continued to buy shares of Dream REIT at a discount to net asset value (NAV) have discovered they are chasing a moving target, as the company's NAV continues to decline over time (even before the REIT decided to liquidate some of its most prominent assets, such as Scotia Place in Toronto recently in a \$1.7 billion sale last month).

While Dream REIT's share price has continued to hover around its 52-week high, trading near the \$20-per-share level for some time now, it is important to remember the long-term cyclical nature of Dream REIT's stock price and its sensitivity to macroeconomic events.

Taking a look at the company's long-term chart will show exactly how this office REIT reacts to recessionary pressures, whether it be a global macroeconomic recession or a more localized recession (think Alberta, oil sands).

After all, shares of Dream REIT continue to trade for less than 50% of their peaks in 2007 and 2012, following a highly cyclical formation indicative of other companies that tend to be extremely recession-prone.

Amid the aforementioned recent \$1.7 billion sell-off of key assets, Dream REIT again cut its dividend distribution to \$0.083 per month from \$0.125 per month.

In March 2016, the company reduced its dividend distribution from \$0.187 per month to the \$0.125 level, meaning that over a span of less than 16 months, investors who'd purchased shares of Dream REIT have seen their monthly distributions cut by more than 50%.

For an income-focused investor, the trend is not good, and it appears management's strategic plan has not been working.

### Bottom line

Investors seeking equities with high yields have a range of options to choose from.

In terms of REITs with dividend yields that have remained solid and fundamental underlying business operations which I believe are superior, I would invite investors to take a look at **Killam Apartment REIT** ([TSX:KMP.UN](https://www.scribd.com/document/381111111/TSX-KMP-UN)) as an option for a REIT with a higher yield and lower volatility than its peer Dream REIT.

Stay Foolish, my friends.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)
2. TSX:KMP.UN (Killam Apartment REIT)

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