

This REIT Is an Absolute Dream for Long-Term Investors

Description

There are few investments in the market right now that can draw as much attention from me as the changing face of REITs. **Dream Office Real Estate** ([TSX:D.UN](#)) in particular is one REIT that continues to peek my interest despite first realizing the opportunity the stock posed well over a year ago. Since then, that opportunity has remained, and in some ways is greater than before.

Let's take a look at what makes Dream Office such an appealing investment.

The appeal of REITs

REITs offer everyday investors the opportunity to nearly [become landlords over a well-diversified portfolio](#) of properties without actually needing the hefty down payment or having to wait for a tenant to drop off a cheque on the first of the month. Even better is the fact that REITs often consist of dozens, if not hundreds of properties across a large geographic area that translates into a very well-diversified portfolio of investments.

Another interesting point regarding REITs is their market focus. Some are focused on residential, others on commercial properties, and some are focused on specific niche markets of properties such as shopping malls, hotels or senior living facilities.

Perhaps the most compelling reason to consider a REIT comes in the form of the distribution. REITs adhere to strict guidelines that require a significant distribution back to shareholders. As a result, it's not uncommon for REITs to have yields of 4% or even higher.

The appeal of Dream

Dream Office as it is today is a very different investment over what it was just over a year ago. Straddled with a significant amount of debt and a declining number of tenants in Alberta (stemming from weakened oil prices that forced companies to reduce their expenses), Dream made the decision to slash its dividend on two separate occasions and began to sell off non-core assets that no longer prescribed to the company's focus on office properties in the major metro areas of the country.

The situation was then exasperated further when higher vacancy rates translated into lower-cost renewals for the company.

The result of those actions was two-fold.

First, investors that witnessed the sudden and deep cut to Dream's dividend sold their position, which drove the stock down, despite the company maintaining a very strong portfolio of investments that was heavily weighted on the super expensive (and very full) downtown Toronto. For a considerable amount of time Dream's stock price actually dropped below its NAV, making it an even more impressive buy.

As it stands, Dream is a leaner, more efficient investment that still offers a compelling monthly

distribution that carries a respectable yield of 4.13%.

As of the most recent quarterly results, Dream has sold off \$3.3 billion in assets and paid off \$1.8 billion in debt over the course of the past two years. The company also repurchased \$1.1 billion in units.

While Dream's transformation may not yet be complete, the company does represent a [compelling investment opportunity](#) with a handsome monthly distribution and an enviable, yet smaller portfolio of properties focused around the GTA.

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. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2018/08/14

Author

dafxentiou

default watermark

default watermark