



## This Stock Yielding 5.5% Is on Sale, Making Now the Time to Buy

### Description

Are you seeking a stock with relatively low volatility, juicy yield in excess of 5%, and which possesses considerable potential upside?

Then look no further than **Dream Hard Asset Alternative Trust** (TSX:DRA.UN). The trust provides investors with the opportunity to gain exposure to a diversified portfolio of real estate assets, including property development, investment properties, and commercial real estate lending.

Dream Hard Asset is a low-volatility stock with a beta of less than one which pays a [monthly distribution](#) yielding a very juicy 5.5%.

### Solid results

Dream Hard Asset reported some robust second-quarter 2019 numbers, including an impressive 77-fold increase in net income to \$8.8 million. That can be primarily attributed to \$10.3 million in income from Dream Hard Asset's 28% interest in the Axis Condominiums project in Toronto.

While Dream Hard Asset's net asset value (NAV) fell by 2.5% year over year to \$8.55 per unit, it is still trading at a considerable discount to that value.

At the time of writing, the trust's market value represents a 19% discount to that NAV. This can be attributed to the considerable risks associated with Dream Hard Asset and its property development business. That is being magnified by a softer housing market and fears that a recession is looming.

Nonetheless, those fears appear overbaked, because Dream Hard Asset has a relatively low degree of leverage, as represented by it ending the second quarter with a debt to gross asset value of 18.1% compared to 27.3% a year earlier.

Analysts are also expecting the housing market to recover during 2020, while Dream Hard Asset will continue to be able to grow earnings because of its quality income-generating properties and projects under development.

The discount of its market price to NAV highlights the considerable upside on offer — particularly once the housing market improves.

Dream Hard Asset also has a solid portfolio of projects currently under development, including the West Don Lands, Lakeshore East, and Empire Lakeshore sites in Toronto as well as the Hard Rock Hotel and Casino buildout in Las Vegas.

The property development segment of Dream Hard Asset's portfolio is supported by the income generated by 11 commercial properties in which it has an interest. That segment of the trust's business reported a 4% year-over-year increase in net operating income (NOI) and that net income had risen by 2%.

Dream Hard Asset also possesses a portfolio of real estate loans secured by residential and commercial properties. As of the end of the second quarter 2019, it had nine loans outstanding with average weighted term to maturity of less than a year and average effective interest rate of 9.7%. Net income from that business for the period fell by 9% year over year to \$3.7 million primarily because of a lower average loan balance over the quarter.

Dream Hard Asset is focused on unlocking further value of unitholders through a capital-recycling strategy focused on the sale of non-core assets and a unit buyback. Late last month, the trust announced the successful application to cancel four million units at an average price of \$8. This will help to buoy Dream Hard Asset's unit price, which should see it eventually align more closely with its NAV.

## Foolish takeaway

Dream Hard Asset is an attractive investment for those risk-tolerant investors seeking exposure to a [portfolio](#) of quality real estate projects and properties. The fact that it is trading at a discount to its NAV makes now the time to buy, and patient investors will be rewarded by its sustainable distribution yielding 5.5% while they wait for its stock to appreciate.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:MPCT.UN (Dream Impact Trust)

### PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**

2025/08/18

**Date Created**

2019/09/12

**Author**

mattdsmith

default watermark

default watermark