



Invest With a Margin of Safety: 1 Cheap Asset Manager

Description

Dream Unlimited ([TSX:DRM](#)) is a [leading developer](#) of high-quality office and residential assets in Toronto. The company owns stabilized income-generating assets in both Canada and the United States and has an established and successful asset management business, inclusive of \$10 billion of assets under management.

The company develops [land and residential assets](#) in Western Canada. Dream expects to generate more recurring income in the future, as the company's development properties are completed and held for the long term. Dream has a proven track record for being innovative and is known for its ability to source, structure, and execute compelling investment opportunities.

Diverse product portfolio

As the manager of three publicly listed funds and numerous development partnerships, Dream is well positioned to observe, in real time, the impact of economic trends on the drivers of demand for real property, such as demand for space, urbanization trends and employment levels in each of the markets in which it operates. This access to real-time economic data provides it with a competitive advantage.

The company's asset management and management services team consists of real estate and infrastructure professionals with backgrounds in architecture, urban planning, engineering, development and redevelopment, construction, finance, accounting, and law. The team brings experience from a range of major organizations in Canada and is actively involved with internal training opportunities. Further, management has expertise in capital markets, structured finance, real estate investments, and management across a broad spectrum of property types in diverse geographic markets.

Powerful asset management arm

Research and analysis, financial modelling, due diligence, and financial planning is done in-house, and

Dream has completed approximately \$35 billion of commercial real estate transactions. A majority of the company's asset management fees in 2020 were derived from Dream's asset management contracts with the Dream publicly listed funds. Dream provides asset management services to various institutional partners, development projects, and partnerships. Dream has assets under management of approximately \$10 billion, including fee-earning assets under management of approximately \$5 billion.

The company receives revenues in respect of these services including base annual management fees, acquisition fees, financing fees, capital expenditure fees, and incentive fees, which are determined in accordance with a formula as outlined in the respective agreements.

Attractive valuation

As of December 31, 2020, Dream owns approximately \$450 million of equity at fair value across the Dream publicly listed funds. Dream anticipates, over time, that the company's ownership will continue to increase on an opportunistic basis. Dream's asset management and investments in the publicly listed funds is a significant component of the company's recurring income sources. Recurring income is an important measure used by management to manage the ongoing cash needs of Dream's operating platform, including interest expense on debt facilities.

Dream has been very proactive in seeking out opportunities to independently manage assets of third parties and create new, unique investment vehicles or partnerships that can provide value to investors. The company has an excellent track record in sourcing unique investment opportunities and generating high risk-adjusted returns through active asset management. At current prices, the stock appears to be a bargain.

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