



Dream Office REIT (DRETF)

Updated November 26th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$13.42	5 Year Annual Expected Total Return:	6.6%	Market Cap:	\$229 M
Fair Value Price:	\$16.00	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	11/28/2025
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date:	12/15/2025
Dividend Yield:	4.9%	5 Year Price Target	\$16.00	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

Dream Office REIT is a Toronto-focused office real estate investment trust that owns and manages a portfolio of 24 high-quality office properties totaling 4.8 million square feet of gross leasable area. Most of its properties are concentrated in downtown Toronto, one of the most institutional and supply-constrained office markets in the country. They are mostly mid-sized, well-located office buildings that have been notably upgraded in recent years through renovations, amenity improvements, and sustainability retrofits to meet evolving tenant demands. The REIT is listed on the Toronto Stock Exchange under the ticker D.UN. It also trades Over the Counter as DRETF. The REIT has a market cap of \$229 million.

On November 6th, 2025, Dream Office REIT posted its Q3 results for the three months ended September 30th, 2025. Net rental income totaled about \$17 million, down from about \$19 million last year, primarily due to the sale of 438 University Avenue earlier in 2025 and lower occupancy in downtown Toronto following the expiry of a major lease at 74 Victoria Street. Same-property net operating income was essentially flat year-over-year at about \$18 million, as rent step-ups, new leasing, and cost efficiencies offset the impact of lower occupancy.

Dream Office completed about 167,000 square feet of leasing activity during the quarter. In Toronto downtown, new leases were signed at average rents roughly 10% above expiring levels, underscoring demand for upgraded, well-located space, while leases in other markets rolled down modestly in a softer environment. Overall in-place occupancy continued to trend lower year-over-year to 77.2%, with committed occupancy ending the quarter at 81.7%, reflecting the 74 Victoria Street lease expiry, prior asset sales, and weaker absorption in non-Toronto markets, partially offset by higher rents and new leasing.

Diluted FFO per unit was \$0.43, down from about \$0.55 last year. For fiscal 2025, we expect FFO per unit of \$2.00.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/S	\$2.41	\$3.78	\$3.23	\$2.43	\$2.62	\$2.42	\$2.47	\$2.25	\$2.17	\$2.07	\$2.00	\$2.00
DPS	\$3.23	\$2.33	\$1.99	\$1.47	\$1.54	\$1.57	\$1.58	\$1.48	\$1.51	\$0.70	\$0.71	\$0.82
Shares¹	53.9	52.4	36.9	29.7	28.1	25.3	24.0	23.1	16.3	16.3	19.0	15.0

Despite owning some of the best-located office buildings in downtown Toronto, Dream Office's FFO per unit has steadily fallen from \$3.78 USD in 2016 to \$2.07 in 2024, and the reasons go well beyond FX. While a weaker Canadian dollar (from ~0.75–0.80 earlier in the decade to around 0.70 more recently) has indeed pressured the USD figures, the drop in performance reflects broader operational and structural challenges.

Over the past several years, the REIT downsized and repositioned its portfolio, selling non-core and suburban properties to focus on a smaller group of higher-quality, boutique office assets in Toronto's financial core. While this improved portfolio quality, it also reduced overall rental income, especially as proceeds were used primarily for debt repayment and not FFO-accretive investments.

Moreover, occupancy has also remained under pressure since the pandemic, falling to 77.5% in-place as of the end of

¹ In millions

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last year, compared to over 90% pre-2020. This has limited operating leverage, even though new leases in top buildings have achieved healthy rent spreads. At the same time, leasing costs and tenant incentives have remained high, cutting into profits. This has resulted in a few dividend cuts during the same period. Still, we praise the attractive repurchases below NAV that have consistently taken place.

Moving forward, we expect no growth in FFO per unit, as we believe the current challenges will persist. However, we have embedded a 3% growth rate in our dividend estimate, as future hikes are possible from today's payout levels.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
P/FFO	10.30	7.7	10.9	13.4	12.8	13.7	15.6	9.4	6.1	13.1	7.2	8.0
Avg. Yld.	7.7%	8.0%	5.7%	4.5%	4.6%	4.7%	4.1%	6.9%	11.3%	2.6%	4.9%	5.1%

Dream Office's average price to funds from operations ratio (P/FFO) has deviated significantly around its historic average of 11.3. At just 7.2 times FFO, we believe the REIT is notably undervalued. We understand why the market discounts the stock. Still, we believe the discount is too heavy and we have set our fair multiple at 8 times EPS. The dividend yield now hovers at 4.9%, and should contribute notably to total returns along with the possibility of a valuation expansion.

Safety, Quality, Competitive Advantage, & Recession Resiliency

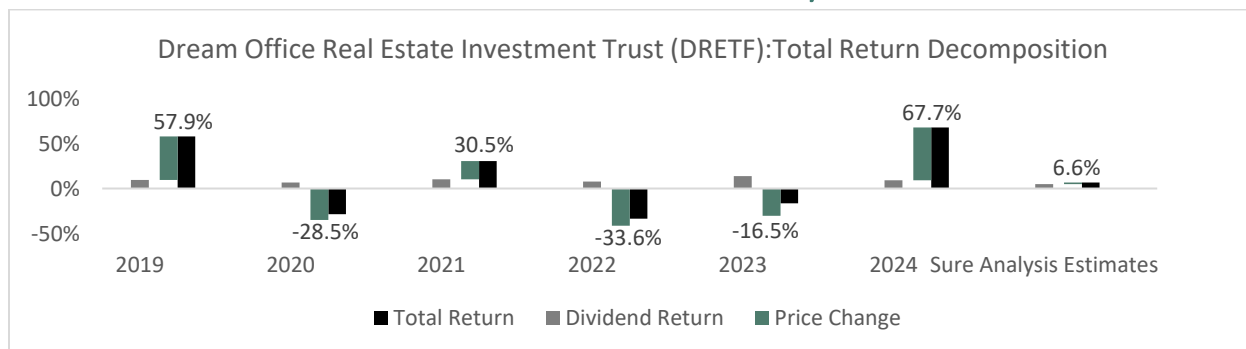
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	134%	62%	62%	60%	59%	65%	64%	66%	70%	34%	36%	41%

Dream Office REIT owns a focused portfolio of well-located office properties in downtown Toronto, but the sub-sector's backdrop remains challenging. While the buildings are high quality and have been upgraded over time, leasing demand has been slow to recover, and occupancy remains under pressure. The REIT's tenant base is relatively diverse. However, shorter lease terms and elevated vacancy make cash flow less predictable than in other real estate sectors. Its advantage lies in having control over a curated portfolio in a prime market, with some leasing spreads trending higher. Still, office assets are more cyclical, and the trust has limited near-term catalysts to drive FFO growth. The REIT did show signs of resilience during COVID, but with muted demand and rising interest costs, downside risks remain elevated during a prolonged recession.

Final Thoughts & Recommendation

Dream Office REIT has struggled with declining occupancy and falling per-unit FFO, reflecting ongoing headwinds in the office market. That said, the stock appears undervalued relative to asset quality, and the current yield offers attractive income for investors willing to wait for a recovery. We believe the dividend along with a potential valuation tailwind could drive mid-single-digit annualized returns through 2030. Still, we rate it as a sell rating due to lack of dividend growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	541	502	366	187	173	154	156	151	141	143
Gross Profit	304	278	202	102	96	84	85	82	76	77
Gross Margin	56.1%	55.5%	55.3%	54.4%	55.7%	54.7%	54.7%	54.1%	53.7%	54.1%
SG&A Exp.	17	16	8	12	10	9	9	9	9	9
D&A Exp.	12	16	17	13	11	10	10	0	0	0
Operating Profit	285	260	189	88	85	74	75	72	66	68
Operating Margin	52.6%	51.8%	51.5%	47.1%	49.2%	48.1%	48.3%	47.7%	47.1%	47.7%
Net Profit	(43)	(664)	104	122	88	132	123	49	(57)	(77)
Net Margin	-8.0%	-132%	28.4%	65.1%	51.2%	85.8%	78.7%	32.4%	-40.5%	-53.5%
Free Cash Flow	115	73	39	22	75	44	76	32	34	30
Income Tax	1	1	(3)	0	0	(1)	(0)	1	0	(2)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,873	4,069	2,642	2,293	2,229	2,266	2,404	2,260	2,011	1,801
Cash & Equivalents	1	6	77	6	73	10	7	6	10	13
Accounts Receivable	2	1	5	6	3	3	3	1	0	4
Total Liabilities	2,364	2,310	1,262	1,194	1,097	1,090	1,190	1,131	1,107	1,048
Accounts Payable	2	1	3	3	7	4	5	4	3	3
Long-Term Debt	2,170	1,965	1,088	1,032	881	936	1,006	1,011	1,010	911
Shareholder's Equity	2,509	1,759	1,380	1,099	1,132	1,176	1,214	1,129	905	753
LTD/E Ratio	0.86	1.12	0.79	0.94	0.78	0.80	0.83	0.90	1.12	1.21

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-0.8%	-14.9%	3.1%	4.9%	3.9%	5.9%	5.3%	2.1%	-2.7%	-4.0%
Return on Equity	-1.5%	-31.1%	6.6%	9.8%	7.9%	11.5%	10.3%	4.2%	-5.6%	-9.2%
ROIC	-0.8%	-15.8%	3.4%	5.3%	4.3%	6.4%	5.7%	2.2%	-2.8%	-4.3%
Shares Out.	53.9	52.4	36.9	29.7	28.1	25.3	24.0	23.1	16.3	16.3
Revenue/Share	10.04	9.57	9.93	6.30	5.40	5.10	6.51	5.67	6.29	7.35
FCF/Share	2.13	1.40	1.07	0.74	2.34	1.47	3.18	1.19	1.51	1.56

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