



Dream Office REIT (DRETF)

Updated May 11th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	\$12.32	5 Year Annual Expected Total Return:	7.4%	Market Cap:	\$239 M
Fair Value Price:	\$13.60	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	04/30/2026
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	2.0%	Dividend Payment Date:	05/15/2026
Dividend Yield:	5.9%	5 Year Price Target	\$13.60	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 23 high-quality office properties totaling 4.4 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 \$239 million.

On May 7th, 2026, Dream Office REIT posted its Q1 results for the period ending March 31st, 2026. Net rental income was about \$17.6 million, down from about \$18.2 million last year, due to the sale of 438 University Avenue in Q1 2025 and its U.S. property in January 2026, partially offset by higher straight-line rent and stronger comparative properties NOI. The REIT also entered into a binding agreement to sell 212 King Street West in Toronto for US\$28.8 million, expected to close in Q2 2026, and sold its sole U.S. property for \$6.9 million, reported by the company as \$7.0 million.

Dream Office completed about 116,000 square feet of leasing activity during the quarter. In Toronto downtown, leases were signed at average initial rents of US\$22.65 per square foot, about 8.3% below prior rents on the same space, while other markets rolled up by about 9.9% to US\$11.97 per square foot. Overall in-place occupancy finished the quarter at 77.3%, with committed occupancy ending at 83.4%, reflecting improved Toronto leasing momentum and the reclassification of 212 King Street as held for sale, partially offset by weaker absorption in other markets.

Diluted FFO per unit was \$0.42, down from about \$0.50 last year. For 2026, we expect FFO per unit of \$1.70.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
FFO/S	\$3.78	\$3.23	\$2.43	\$2.62	\$2.42	\$2.47	\$2.25	\$2.17	\$2.07	\$1.79	\$1.70	\$1.70
DPS	\$2.33	\$1.99	\$1.47	\$1.54	\$1.57	\$1.58	\$1.48	\$1.51	\$0.70	\$0.73	\$0.73	\$0.85
Shares¹	52.4	36.9	29.7	28.1	25.3	24.0	23.1	16.3	16.3	16.4	16.4	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 in 2016 to \$1.79 in 2025, 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 76.6% in-place as of the end of last year, compared to over 90% pre-2020. This has limited operating leverage, even though new leases in top buildings

¹ In millions

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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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
P/FFO	7.7	10.9	13.4	12.8	13.7	15.6	9.4	6.1	13.1	6.9	7.2	8.0
Avg. Yld.	8.0%	5.7%	4.5%	4.6%	4.7%	4.1%	6.9%	11.3%	2.6%	5.9%	5.9%	6.2%

Dream Office's average price to funds from operations ratio (P/FFO) has deviated significantly around its historic average of 11. 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 5.9%, and should contribute notably to total returns along with the possibility of a valuation expansion.

Safety, Quality, Competitive Advantage, & Recession Resiliency

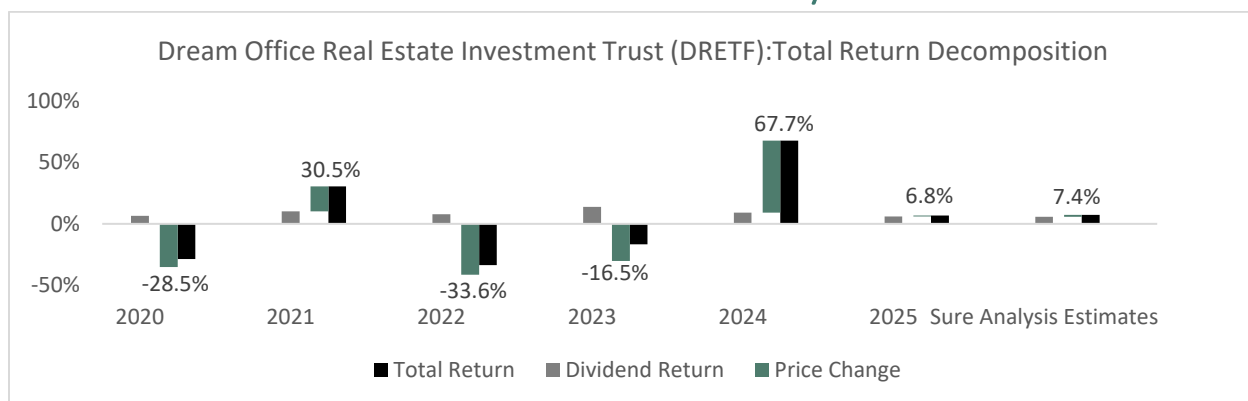
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	62%	62%	60%	59%	65%	64%	66%	70%	34%	41%	43%	50%

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 2031. 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	502	366	187	173	154	156	151	141	143	141
Gross Profit	278	202	102	96	84	85	82	76	77	73
Gross Margin	55.5%	55.3%	54.4%	55.7%	54.7%	54.7%	54.1%	53.7%	54.1%	51.8%
SG&A Exp.	16	8	12	10	9	9	9	9	9	-
D&A Exp.	16	17	13	11	10	10	0	0	0	9
Operating Profit	260	189	88	85	74	75	72	66	68	63
Operating Margin	51.8%	51.5%	47.1%	49.2%	48.1%	48.3%	47.7%	47.1%	47.7%	44.7%
Net Profit	(664)	104	122	88	132	123	49	(57)	(77)	(115)
Net Margin	-132%	28.4%	65.1%	51.2%	85.8%	78.7%	32.4%	-40.5%	-53.5%	081.6%
Free Cash Flow	73	39	22	75	44	76	32	34	30	(15)
Income Tax	1	(3)	0	0	(1)	(0)	1	0	(2)	0.3

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	4,069	2,642	2,293	2,229	2,266	2,404	2,260	2,011	1,801	1,654
Cash & Equivalents	6	77	6	73	10	7	6	10	13	11
Accounts Receivable	1	5	6	3	3	3	1	0	4	-
Total Liabilities	2,310	1,262	1,194	1,097	1,090	1,190	1,131	1,107	1,048	997
Accounts Payable	1	3	3	7	4	5	4	3	3	-
Long-Term Debt	1,965	1,088	1,032	881	936	1,006	1,011	1,010	911	904
Shareholder's Equity	1,759	1,380	1,099	1,132	1,176	1,214	1,129	905	753	657
LTD/E Ratio	1.12	0.79	0.94	0.78	0.80	0.83	0.90	1.12	1.21	1.38

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	-14.9%	3.1%	4.9%	3.9%	5.9%	5.3%	2.1%	-2.7%	-4.0%	-6.6%
Return on Equity	-31.1%	6.6%	9.8%	7.9%	11.5%	10.3%	4.2%	-5.6%	-9.2%	-16.3%
ROIC	-15.8%	3.4%	5.3%	4.3%	6.4%	5.7%	2.2%	-2.8%	-4.3%	-7.1%
Shares Out.	52.4	36.9	29.7	28.1	25.3	24.0	23.1	16.3	16.3	19.4
Revenue/Share	9.57	9.93	6.30	5.40	5.10	6.51	5.67	6.29	7.35	7.29
FCF/Share	1.40	1.07	0.74	2.34	1.47	3.18	1.19	1.51	1.56	-0.77

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