



Dream Office Real Estate Investment Trst Remains a Lucrative Stock

Description

When you can find a stock that most people hate, but it's sitting on assets that are worth far more than what it's trading at, you've found yourself a very lucrative company to own. In my opinion, **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) is just that type of company. The stock price of the company is far less than what the value of the assets is worth.

According to an analysis by Dream Office, the value of all of its real estate is \$23.64 per share. However, the price per share is \$16.88. That means that you are getting \$6.76 in free assets when you buy a share of this stock. Buy 1,000 shares, and you own \$23,640 worth of assets at a cost of \$16,880. This is a great position to be in because when more investors make that connection, the share price should appreciate closer to its NAV, giving you a great return on investment.

But why is there such a big difference? The primary reason is its Albertan holdings. Alberta's oil and gas companies are suffering from low oil prices, and so, as a result, Dream Office's occupancy is down from 89% in 2015 to 84% this year. That's a lot of empty square footage that's not making the company any money. So Dream Office decreased the value of its Alberta holdings by 45%. However, that took the NAV from over \$30 per share to the \$23.64 it is today, so the discount survives even with its Albertan holdings being worth very little.

The good news is that management has a plan to bring the NAV and the share price closer together. If investors won't value the shares, perhaps investors will value the physical assets. By the end of 2018 management wants to have sold \$1.2 billion in non-core assets. So far, it has sold two million square feet across 17 properties for \$437 million. There's over \$100 million more in various stages of discussion and contract.

I expect that management will use the funds to pay down debt and look for inexpensive opportunities where it can further invest. Other REITs, like **RioCan Real Estate Investment Trust**, went from selling lucrative assets to paying down debt and investing in its core holdings. Dream Office could do the same thing.

If you are patient with Dream Office, the returns could be incredibly lucrative in multiple ways. The first

is the dividend. It currently pays a mind-blowing 8.89% yield, which is \$0.125 per share each month. And that's after the company was forced to cut the dividend because its payout ratio was close to 100%. Now investors earn \$1.50 a year and the payout ratio is only 56%.

Earning back nearly 9% of your initial investment every year makes it that much easier for this company to break even and then grow your portfolio. At some point, Dream Office's Albertan holdings will improve in value. When that happens, I expect the share price and NAV will get closer, allowing investors to achieve significant capital gains. And along the way, you can take the dividends and either buy more shares of this underpriced company or invest it in other assets. Safe, high dividend-paying stocks are a great way to get rich.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)

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Author

jaycodon

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