



Buy Dream Office Real Estate Investment Trst for Discounted Real Estate

Description

I love REITs. There ... I've confessed. I truly love them because they give me exposure to real estate without having to personally manage it, which significantly reduces the risk for me. One REIT that I have had my eye on for some time now is **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)), which I believe is one of the more underpriced stocks currently on the market today.

Unlike owning actual real estate, when there are shares of stock that track the company, there are times when there is a difference between the value of the real estate and the value of the company. Dream Office did an analysis (known as its NAV) of its portfolio and concluded that all of its real estate is worth \$23.64 per share. However, the stock is trading at \$17.09 per share, which is a difference of \$6.55.

This means that if Dream Office is right about its analysis, you're getting \$6.55 of "free" real estate for every share of the company you buy. This is important because once investor fear goes away and they start moving back into the company, the price per share should get closer to the NAV, giving you instant appreciation on your stock.

But here's what's important to understand. The NAV used to be over \$30 a share; however, it was forced to decrease the value of its Albertan holdings by 45%. Why? Well, the oil and gas companies in Alberta (specifically, Calgary) have been suffering. The economy is weaker. This means that the occupancy rate is lower, which reduces the potential cash flow. Ultimately, the current NAV of \$23.64 takes into consideration a much weaker Albertan economy; therefore, I am quite confident that this "free" real estate is a great opportunity.

While it wouldn't be terrible for the company to simply wait for the gap between the NAV and share price to close, management has decided that if investors won't value the company's assets, they'll sell the assets, raise cash, and close the difference that way. By the end of 2018, management expects to sell \$1.2 billion in non-core assets. So far, it has sold 17 properties for \$437 million, so it is well on its way.

With the money, it can either pay down its debt, which will make the balance sheet stronger, or reinvest

the money into assets in more core-centric regions. Another thing to consider is that oil prices are slowly rising; therefore, if that trend continues, its Albertan territories will start gaining strength. And when that happens, the available cash flow will have investors excited.

I believe that owning this stock is like getting \$6.55 in free real estate. Further, the \$0.125 monthly dividend means that, after a year, you'll have already returned 8.78% on your investment. Consider this ... if you buy 1,000 shares, you'll spend \$17,090. You'll receive the equivalent of \$23,640 worth of real estate. And, at the end of the first year, you'll have earned \$1,500 in dividends. And the best part? The payout ratio is only 56%, so it is very secure.

Real estate is a great way to get rich. And stocks that are undervalued but hold high-quality real estate that kicks off nearly 9% a year in dividends is quite an opportunity. I think Dream Office is a great stock to own.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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