



Dream Office Real Estate Investment Trst: Buy When Others Are Afraid

Description

I would bet money that in 100 years we'll still be talking about Warren Buffett, his incredible investment track record, and the little quotes he's notorious for saying. One that comes to mind when thinking about **Dream Office Real Estate Investment Trst** ([TSX:D.UN](#)) is the following: "...be fearful when others are greedy and greedy when others are fearful."

The basic idea is that when others are thinking with greed and not analysis, then you should avoid that stock. On the other hand, if people are afraid of a stock without doing any analysis, it's time to start buying shares. Ultimately, that fear will turn into greed, and you can ride the wave high and make quite a bit of money. Dream Office fits this bill primarily because investors are afraid that its real estate holdings in Alberta are going to pull it down.

But let's back up for a second.

Dream Office REIT invests in commercial properties across Canada with a total of 21.5 million square feet. According to Dream Office, the net asset value (NAV) of its portfolio is equal to \$23.64 per share. If its real estate were to be sold off and distributed to its investors, each share would net you \$23.64.

Here's where the fear and greed comes into play. Because investors are worried about oil companies (which are predominantly in Alberta), they are valuing the company at far less. With it trading at \$17 per share, investors are essentially getting \$6.64 of free real estate for every share they buy. Here's another way to look at it: if you invested \$17,000 (plus commission fees) and bought 1,000 shares of Dream Office, you'd receive \$6,640 worth of "free" real estate.

Why do I bring this up? Because the fear is going to go away at some point. Oil companies will regain their strength. Dream Office will see its occupancy rate improve. And investors will pile into the company, desperate to own these real estate assets, and that will send the price of these shares higher.

But there's a tiny detail that few people are talking about. The original NAV of all the company's real estate was actually over \$30 a share. Dream Office decreased the value of its Albertan holdings. That means, the \$23.64 NAV doesn't even taken into consideration all of its Albertan holdings.

Fortunately for us, management has another way to force the NAV and share price to line up: it'll sell assets, raise cash, and then reinvest that money in debt repayment and/or higher-quality assets. So far, the company has sold 17 properties worth \$437 million, and it plans to have sold a total of \$1.2 billion by the end of 2018. If investors won't value the company at its NAV, management will find another way.

So here's how you make money on this company.

Assume you bought 1,000 shares. You'll have spent \$17,000 and bought \$23,640 worth of real estate. Thanks to the monthly \$0.125 dividend, you'll earn \$1,500 by the end of the first year in dividends. And at some point in the future, the value of these shares *will* increase because greed will take over, and it might turn out to be one of your best investments.

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