# Patience Wins When it Comes to Dream Office Real Estate Investment Trst

## Description

Part of the joy of writing for Fool is when you find an opportunity that the markets are not yet discussing that you can tell the average investor about. **Dream Office Real Estate Investment Trst** (TSX:D.UN) is, in my opinion, one of those stocks that was beaten down and then forgotten. But if you had purchased it over the past few months and had patience, your reward is finally coming.



Over the past three months, shares are up 14.68%, not to mention the three separate $0.13 distributions that the company paid. It makes sense why investors were hesitant about investing in Dream Office. The company has a decent chunk of its portfolio in Alberta, and when oil prices started to drop, its tenants started having problems. Compared to five years ago, the stock is down 42%. And in February 2016, it all came to a screeching halt when the company was forced to cut its dividend by a third.

When a company cuts its dividend, it's common for investors to think the world is crashing. But this actually puts the company in a good situation. It didn't have to pay out as much in dividends, which ensured the company wasn't going to distribute more than it earned.

For the past few months, the stock has been trading right around $17 a share with occasional increases and drops. But throughout November, the stock has been rapidly increasing from under $17 to just about $19 a share–more than $2 in a month. What could be causing this? To answer that, it helps to understand how Dream Office operates.

As a REIT, its primary business is owning real estate. Dream Office owns commercial real estate across Canada that it then leases out. That real estate has value separate from the price of the shares of Dream Office. The market can be pessimistic even if a company is worth more than it's trading at. Therefore, the net asset value of the real estate that Dream Office owns (even after its Albertan holdings decreased in value) is $23.64. In other words, if that real estate were to be broken up into shares and sold on the market at true value, it would trade at $23.64.

Yet it's not. The stock only trades at $18.98. That's a discount of a little over 20%. And the discount was even greater when shares were trading $2 less than they are now. Management has been able to convince the market to take it seriously by selling some of its assets. In other words, if the market won't value the real estate, perhaps it'll value cash. All told, management has plans to sell $1.2 billion in real estate.

I believe there remains more growth for Dream Office for a few reasons. The first is because the NAV and share price split is still significant. The second is because Alberta will start to generate operating funds again for the company. And when that happens, the stock should really start to increase.

For now, here's how you make money on this company.

Let's say you buy 1,000 shares. That'll cost you $18,980. But you'll have received the equivalent of $23,640 in real estate based on the NAV. Every month, you'll earn $125 in dividends. By the end of year one, you'll have $1,500. And if you keep buying shares (unfortunately, they don't have a reinvestment plan), that dividend can keep getting bigger and bigger.

Patience wins with Dream Office. And it's exciting that investors are starting to see the stock appreciate again.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

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



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