



## Value Investors: This 6.3% Yielder Is 50% Undervalued

### Description

Many people, especially those who are looking to live off their investments at some point in the future, are looking for stocks that deliver dependable dividends as well as offering capital appreciation potential. This is the Holy Grail, so to speak.

Many stocks [offer great dividends](#), although not all of these payouts are sustainable. Others offer upside potential. It's a rare combination that offers both.

**Brookfield Property Partners LP** ([TSX:BPY.UN](https://www.bxp.com))(NASDAQ:BPY) has the potential to deliver significant capital appreciation while paying a generous dividend. Here's why you should join me and add this stock to your portfolio.

### Undervalued

There are a number of metrics we can use to determine whether the real estate arm of the Brookfield empire is undervalued. Shares trade significantly under book value. And the price-to-funds from operations ratio is relatively low. In addition, management has identified dozens of development opportunities in the newly-acquired shopping mall division. It's obvious that the market is assigning no value to this potential.

The parent company disagrees, however. **Brookfield Asset Management** — which owns about 50% of Brookfield Property Partners — thinks the real estate portfolio is worth closer to US\$30 per share, not the US\$19 it trades at the time of writing. That's a little more than 50% upside potential, which is massive.

Brookfield Asset Management isn't just telling people its subsidiary is undervalued. It's putting its money to work by actively gobbling up Property Partners shares in the open market. In the last few months alone, the parent bought some US\$200 million worth of Property Partners shares. This move created US\$100 million worth of extra value to the parent.

### A great yield to wait

There are many so-called value stocks that trade at a significant discount to the value of their assets. But they don't pay a dividend, leaving an investor with little choice but to tie up their money for a long period of time with only the potential of it going higher.

Faced with this reality, many value investors insist on getting paid dividends. I don't really blame them.

Fortunately, Brookfield Property Partners has a great payout. The current yield is 6.3% on the TSX-listed shares, which is about twice as much as you'd get from a five-year GIC. This alone makes the stock an excellent income choice.

But wait: there's more. Management has pledged to raise the dividend. During the company's recent investor day, it predicted that funds from operations would increase by approximately 7-9% annually over the next five years. This would support distribution growth in the 5-7% range.

This means the already impressive dividend could get much better. If management can raise the payout by just 5% annually over the next five years, investors who buy in today are looking at a yield on cost of just under 8%, which is a very attractive dividend stream.

### **The bottom line**

Brookfield Property Partners offers it all. It has a sharp management team backed up by some of the best asset managers in the business at the parent company. Shares are significantly undervalued. And the already solid dividend is about to get a whole lot better.

There are few no-brainers in today's market. I believe Brookfield Property Partners is one of them.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:BPY.UN (Brookfield Property Partners)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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