



This Ultra-High-Yield Dividend Stock Is a Screaming Bargain

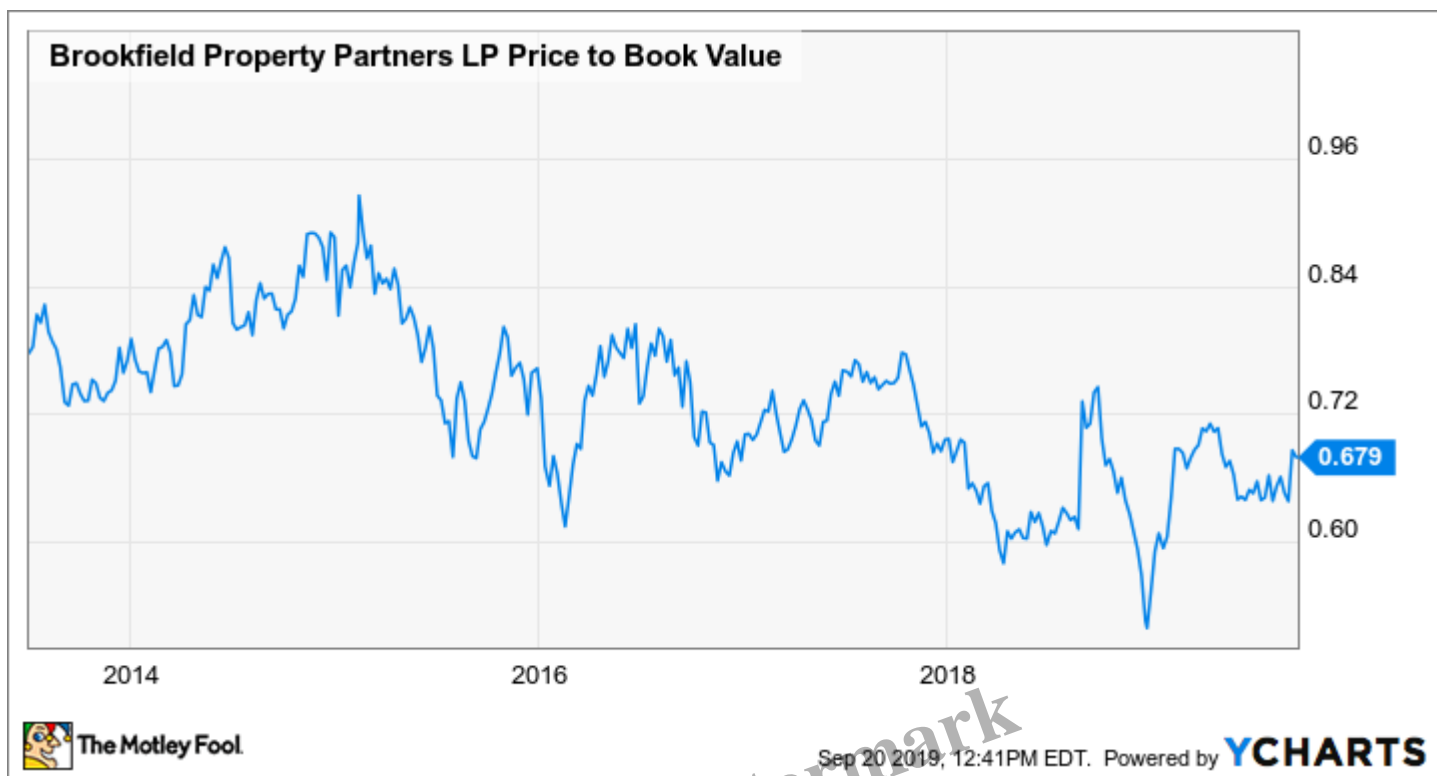
Description

Of all of **Brookfield Asset Management's** high-yield subsidiaries, **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is the best bargain right now. As a result, BPY also provides an ultra high yield for income-hungry investors. Investors can be reassured that the dividend is safe.

Why Brookfield Property is a screaming bargain

At about US\$20 per unit, BPY trades at a ridiculous bargain equating to a +30% discount from its accounting fair value.

Although it's true that it normally trades at a discount due to the debt-heavy nature of the underlying real estate assets, the current discount is still way overdone.



BPY Price to Book Value data by YCharts

Even assuming a fairer price to book of 80%, BPY is still trading at a discount of roughly 15%.



BPY is no ordinary company. It's backed by a wonderful management team that acts as both a big-pie owner and operator to the global high-quality real estate portfolio.

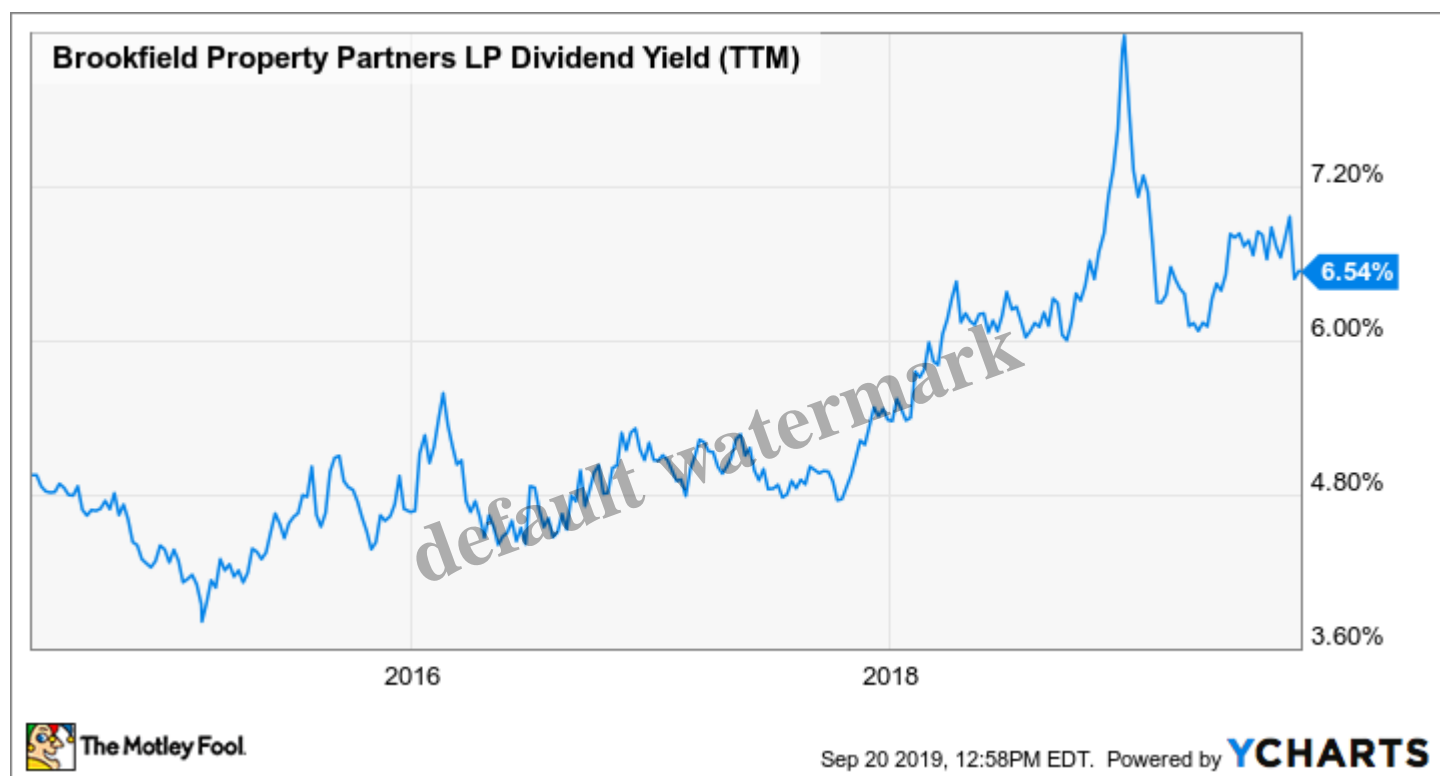
The core office and retail assets that have been accumulated over the years are irreplaceable, as they're located in supply-constrained markets all over the world. This core portfolio makes up about 85% of the portfolio and targets total returns of 10-12% per year.

Moreover, this portfolio has 11 million square feet of core office and multifamily development projects that are underway, including 6.2 million square feet that are estimated to complete by the second half of this year.

These completed projects will add another stream to the already strong river of cash flow the company has built over many years.

Why BPY's ultra-high-yield dividend is safe

Currently, BPY offers a yield of 6.6%. The yield is at the high end of its historical range partly because the stock has gone nowhere from when it was spun off from Brookfield Asset Management and partly because it has been raising its cash distribution by 5-8% per year.



BPY Dividend Yield (TTM) data by YCharts

In the first half of this year, BPY's payout ratio would have been 100% when accounting only for the funds from operations (FFO) that the company generated. This makes its high yield seem dangerously unsustainable!

However, once realized gains from asset sales in its opportunistic investments (which makes up about 15% of its portfolio) are accounted for, its payout ratio was only 87%, which is very reasonable for a REIT.

The increasing size of the opportunistic portfolio is expected to increase in pace and size of realizations, which will continue to give a buffer for the cash distribution. Moreover, the development projects mentioned earlier will add another margin of [safety for the high yield](#).

Foolish takeaway

I strongly believe that Brookfield Property is an incredible opportunity today as [an ultra-high-yield income stock](#) and a top candidate for price appreciation.

The stock has been trading sideways since inception in 2013, the valuation of the stock has come down meaningfully, and development projects that are coming online soon will give a nice boost to the company's already strong cash flow generation.

In time, the stock will experience an absurd multiples expansion. In the meantime, it offers a juicy yield of 6.6% and its existing portfolio and development projects are expected to drive organic stable company FFO growth of 7-9% per year.

As well, management carries on managing the opportunistic portfolio, which is estimated to deliver annualized realized gains of US\$500 million per year on average.

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