This Super-High-Yield Dividend Stock Has a Deep Discount!

Description

If you are looking to add a high-yielding dividend stock in your investment portfolio, you may want to take a look at the ones trading at a steep discount. **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) is an excellent example. **Brookfield Asset Management** has a history of conceiving highly profitable spin-offs, and Brookfield Property is no exception, providing safe and significantly high dividends.

Is this discount good enough?

Brookfield Property is currently trading at $25.43 per share at about a 33% discount from the company's accounting fair value. The number is enormous, even taking into account the fact that the company generally trades at a discount. The reason is that the company's prime investing assets are real estate, which are debt heavy by nature. If we compare the P/B ratio of 0.87, the stock is still at a 13% discount.

Office and retail properties, controlled by the company, are its crown jewel. Most of them are located in areas where demand far outweighs the supply. These properties make up about 85% of the company's core investments and generate returns between 10% and 12%.

A management that is heavily invested in the company, and a global scale of operations, make Brookfield Property an extraordinary venture. The company already covers 138 million square feet of area just as commercial office space.

With 11 million square feet of development projects underway, 6.2 million square feet of which would be completed by the end of this year, the company will significantly increase its revenue stream and cash flow.

Is it a safe buy?

With a forward annual dividend yield of 6.95%, that is a natural question to ask. Even though it's not the all-time company high, it's still way higher than the company average. Two factors behind this dividend yield are consistent stock value since inception and a yearly increase of 5-8% in cash distributions.

What makes the stock appear more dangerous is the fact that just this year, in the first half, the company's payout ratio would have been almost 100%. This number is only taking into account the company's funds from operations (FFO) generation.

The number might seem disheartening, but not if you look at the bigger picture. Brookfield Property diversified its investment portfolio with opportunistic investments, which makes about 15% of total investments. If you include the gains from the sales of these assets, the payout ratio falls to 87%. For a real estate investment trust, this number is not very high.

The company is planning on expanding its opportunistic investments, which will result in a well-balanced portfolio and a reasonable payout ratio in the coming future. Under development projects will add to the revenue stream as well, expanding the buffer against high yield.

Foolish takeaway

Since the company's formation, the market value has been shaky. But the current stock devaluation comes as a golden opportunity for investors like you. If you are looking for a super-high-yield dividend stock, this Fool thinks that Brookfield Property should be the first one you consider.

The company's development projects are expected to increase FFO growth by 7-9% a year. And the growth of opportunistic investment part of the portfolio, which is expected to generate gains of $500 million on average. These two factors combine to project a stock that can see explosive growth in the future while paying ultra-high dividends today.

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