This Is Where I Would Invest $1,000 Right Now

Description

Fear sparked by the global spread of the coronavirus and a looming economic meltdown has caused markets to fall sharply. The TSX recently experienced its worst day since the Black October 1987 stock market crash, and the **S&P/TSX Composite** has lost 12% since the start of 2020. While many investors and traders are paying attention to the fear-generating headlines and stampeding for the exits, cooler heads need to prevail. Sharp market downturns typically present opportunities to acquire quality stocks at very attractive valuations. One stock that has garnered my attention for some time and is now on sale is **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY).

Increased risk

The real estate investment trust (REIT) owns a globally diversified real estate portfolio, which includes a number of world-recognized marquee properties. Brookfield Property's focus on office and retail real estate means that its stock has been roughly handled by a market fearful of a sharp global economic downturn; it's lost 10% over the last month.

The reasons for this are simple to understand. Any contraction of economic growth will have a sharp impact on business and consumption, leading to lower demand for office and retail space.

Brookfield Property's office portfolio holds 136 properties across the globe, situated in major business hubs and gateway cities. That means demand for such quality floor space remains consistent, even during recessions, helping to shield the partnership's earnings from economic slumps.

Brookfield Property's 123-site retail real estate portfolio has also proven resistant to the headwinds facing the industry. This includes the threat posed by the rapid growth of online retailing, which has had a cataclysmic impact on brick-and-mortar retailing.

The dip in Brookfield Property's market value sees it trading at a deep 70% discount to its net asset value (NAV). That highlights the considerable upside available and why now is the time to buy.

The diversified nature of Brookfield Property's portfolio — along with a wide economic moat and that fact that real estate is categorized as a hard asset — lends it considerable defensive characteristics. This explains why Brookfield Property has fallen lost less than the broader market. With a beta of 0.99, it is slightly less volatile than the broader market.

Growth ahead

The partnership possesses considerable growth potential because of its LP Investments business. This is where Brookfield Property takes the opportunity to make opportunistic acquisitions of undervalued assets and redevelops them to sell at a profit.

Brookfield Property is also focused on recycling capital, where it sells mature assets and uses the proceeds to make accretive acquisitions. During the fourth quarter 2019, it had disposed of US$501 million of assets and over US$670 million of investments.

The partnership also had over US$9 billion of projects under development, which are forecast to be completed between now and the end of the second half of 2023. That will boost earnings because of higher rents while improving occupancy rates by making the properties more appealing to businesses and other users.

Foolish takeaway

The market crash leaves Brookfield Property very attractively valued and trading at a deep discount to its NAV. This indicates that there are considerable capital gains ahead once the market outlook improves. Patient investors will be rewarded by Brookfield Property's sustainable distribution yielding a juicy 8%, while they wait for the stock to rally.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

1. Business Insider
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Date

2025/07/02
Date Created
2020/03/11
Author
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