



## Market Crash: This 15%-Yield Stock Is 50% Off

### Description

The 2020 market crash has brought **Brookfield Property Partners LP**. ([TSX:BPY.UN](https://www.bny.com/en/real-estate/brookfield-property-partners-lp)) (NASDAQ:BPY) stock to its knees, from the point of view of its stock price.

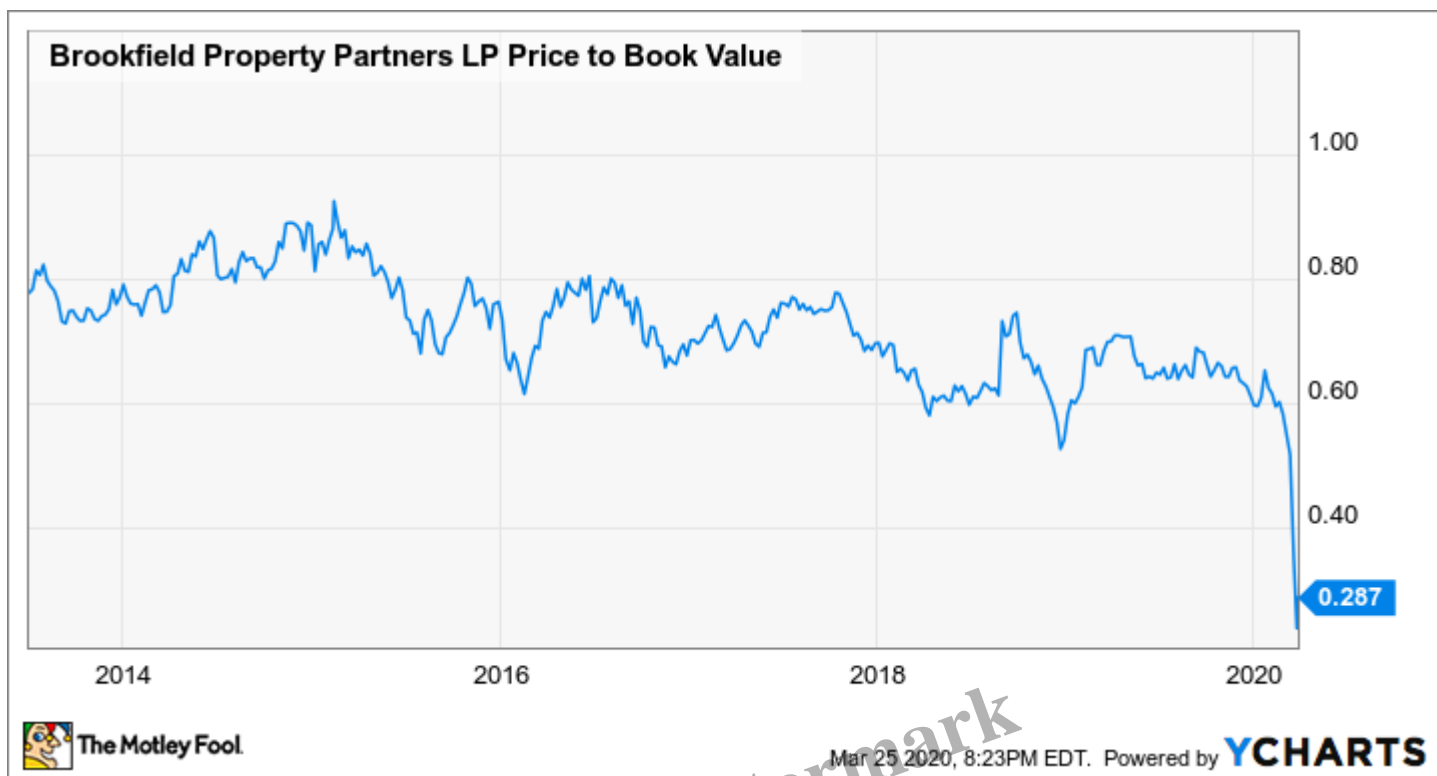
## Market Crash: This REIT trades at a steep discount

BPY stock hasn't experienced a market crash in its current form. It was spun off from **Brookfield Asset Management** (BAM) in 2013. However, BAM, its general partner and manager still owns a large stake (about 51%) of BPY. So, management's interests are highly aligned with those of BPY unitholders.

Notably, BAM is a value investor. It buys back shares only when they trade at substantial discounts from what they're worth.

In recent weeks, BPY has repurchased about six million shares (roughly 1% of its outstanding shares). It'll likely continue repurchasing shares as this market crash keeps its shares dirt-cheap.

Just how cheap is dirt cheap? At writing, the stock trades at \$12.62 per share, which is less than 30% of its book value. This is a 52% discount from a more normal price-to-book multiple of 0.60 times.



BPY Price to Book Value data by YCharts. Brookfield Property Partners' historical price to book.

This means that when things return to normal, BPY stock can easily double from current levels, based solely on price appreciation.

## Market Crash: Crippling BPY's real estate business

Investors aren't as worried about the market crash as they are about the coronavirus crisis affecting Brookfield Property's business.

About 85% of BPY's balance sheet consists of its core office and retail real estate portfolio. With malls closed in the United States and people working from home as much as possible (in the near term), BPY's short-term cash flow is at risk.

However, it's important to note that BPY's core assets are of top-notch quality. Its core office portfolio is 93% leased to high credit quality tenants, with a remaining average lease term of more than eight years. Its core retail portfolio is also best in class and located at prime locations.

Additionally, its core businesses are funded almost entirely with asset-level, non-recourse debt with an average term to maturity of about four to five years.

Experts believe a working vaccine for the coronavirus will arrive in about a year. Assuming the economy gets back to normal within a year or two, BPY has the liquidity to withstand this economic turmoil.

## Market Crash: Is BPY stock's 15% yield sustainable?

In general, any yield over 10% is perceived as unsustainable. However, this market crash has pushed yields of [many quality stocks](#) to over 10%. If most of BPY's tenants can't pay rent, the real estate stock can't pay shareholders from its cash flow.

In 2019, BPY paid out US\$1.28 billion of dividends. With about US\$6 billion on hand, it is well-capitalized. However, paying out cash distributions may not be the best use of capital right now.

Better use of cash may be to buy back more shares. However, it would lose investor confidence if it were to cut its cash distribution

The severity of the impact of the coronavirus crisis on BPY's profitability in the near to medium term is a big unknown. Using social distancing, we're slowing down the spread of the virus. The sooner the pandemic is behind us, the sooner the economy can return to normal.

Even if BPY does suspend its dividend, I have confidence it will restore it once things get back to normal.

## The Foolish bottom line

There's no doubt that the coronavirus crisis will have a huge impact on BPY's profitability this year. The hope is that the flattening of the curve comes sooner rather than later so more lives can be saved and the sooner the world economies can return to normal.

In this market crash, it's better to view BPY's dividend as a bonus. However, I believe that if BPY does suspend its dividend, it will restore it in the future.

Investors should consider BPY as a total return investment that can double from current levels and pay [a very juicy yield](#) in the future when the economy normalizes.

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### TICKERS GLOBAL

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

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