This 18% Dividend Stock Could Quadruple Your Real Estate Wealth

Description

The ongoing coronavirus pandemic has devastated commercial real estate. Around the world, retail shops, malls and concert arenas lie desolate. Landlords of these properties must now brace for a sudden shortfall of cash. It could drive many major real estate investment trusts (REITs) to the verge of bankruptcy.

Canada's largest commercial property trust, **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY), is at the epicentre of this trend. Brookfield's stock has lost 63% of its value since late January. The stock price is now just 25% of net asset value per share, while the dividend yield has surged to 17.9% at the time of writing.

It's fair to say that investors have lost all hope on Brookfield Property. They're now bracing for an unprecedented disaster. However, there *is* a chance the stock market is being too pessimistic here. If Brookfield's real estate survives this downturn, it could bounce back much stronger.

Here's a closer look at what could be 2020's ultimate contrarian bet.

Commercial real estate Armageddon

Brookfield's real estate portfolio is split between office buildings and retail malls spread across the world. The company also manages money for external investors. This asset management side of the business owns niche properties such as student housing, warehouses and self-storage space.

The firm now faces the perfect storm. Nobody is going into their office buildings or malls anymore. The economy is frozen, which means that Brookfield's tenants, such as L Brands, Barclays and Foot Locker may have to cut back on their spending or even suspend rent payments this year.

Meanwhile, the liquidity crunch in commercial properties is going to make Brookfield's debt burden more worrisome. If cash woes are acute enough, Brookfield may be compelled to suspend or reduce dividend payments in 2020.

If underlying assets are going to lose value and dividend income is unpredictable, what's the point of investing in a REIT?

Brookfield's strengths

Despite the near-term hurdles, Brookfield does offer some hope for investors.

First, the company is backstopped by one of the largest asset managers in the world: **Brookfield Asset Management**. Liquidity and funding issues could be quickly resolved by the parent company's immense resources.

Meanwhile, some of Brookfield's largest tenants are some of the most resilient institutions in the world. Indeed, 7.6% of the company's offices are occupied by government agencies with excellent credit ratings.

The real estate portfolio is filled with iconic trophy assets that are nearly impossible to replace. There's simply no competitors for London's Canary Wharf, Toronto's Brookfield Place or the Miami Design District. These properties will retain their value better than ordinary commercial properties.

There's absolutely no doubt that Brookfield's net income and net asset value will be battered this year. However, the company's stock has plunged considerably and seems to have priced in this "worst-case" scenario.

If the stock surges back to the value of net assets, investors could triple or quadruple their money relatively quickly.

Foolish takeaway

Brookfield Property's dramatic plunge is justified given the near-term challenges for real estate. However, the stock seems to have been oversold.

This could be your chance to add iconic and robust properties to your portfolio for a fair price.

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vraisinghani