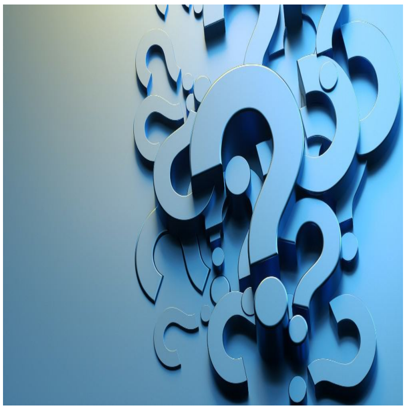

Can This 15% Dividend Stock Double Your Money From Here?

Description

The COVID-19 pandemic has crushed several sectors due to lockdowns. One such sector is the traditional retail industry. A Canadian real estate giant that has significant exposure to the retail space is **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY). This stock is currently trading at $12.52, which is 54% below its 52-week high. The massive pullback has meant its forward yield has jumped to a mouth-watering 14.9%.

A diversified asset base

Brookfield Property Partners is a real estate giant. It has a market cap of $11.8 billion with 134 office properties and 122 enclosed malls. BPY has around $200 billion worth of assets under management. It owns and operates over 450 million square feet in properties.

A majority of these properties are lying vacant due to the ongoing pandemic, which has driven shares considerably lower. We can see here that Brookfield Property Partners also invests in hotels and apartments via a private limited partnership with **Brookfield Asset Management**.

Over 90% of its portfolio is covered under long-term leases. The average lease period is nine years. But these long-term leases won't matter much if the lockdowns continue. Even if the dreaded virus is brought under control, malls and restaurants will be the last to re-open. We can see why shares of Brookfield Property Partners have been pummeled in recent times.

Is Brookfield's dividend yield safe?

In 2019, Brookfield had a dividend-payout ratio of 85%. However, its LP (limited partnership) asset sales in the last year added close to $0.18 per share in funds from operations. After accounting for these sales, its payout ratio stands at 95%.

Brookfield Properties will find it difficult to keep selling assets in 2020 where property market rates will be subdued. So, will it be able to cover dividend payments for 2020? The company can raise debt to maintain dividend payouts. Its cash in hand is $1.44 billion, and the company has access to another $4 billion in undrawn credit lines.

Further, it is backed by Brookfield Asset Management, a conglomerate with a strong balance sheet, making BPY a relatively safe bet in this environment.

The recent decline in stock price has meant that investors are bracing for a dividend cut. Even if Brookfield Property Partners cuts dividends by 50%, its yield stands at a tasty 7.5%.

The verdict

There is not a lot going right for real estate players with exposure to the retail and office space. No one knows how long the lockdowns will remain in place. While Brookfield Property confirmed it is well positioned for this volatility, the near-term risks might drive the stock lower, if the current situation persists. Brookfield will have to grapple with several rent deferrals and tenant bankruptcies.

But for investors with a high-risk exposure, it remains a solid bet at current prices. Brookfield Property owns several top-quality assets and some of the prominent malls in North America. These malls should see higher activity when normalcy resumes.

Last December, BPY’s management valued the company at a book value of US$29 per share. This means the stock is trading at just 30% of its book value. Brookfield is an undervalued dividend-paying stock. But, as is the case with several other companies in the current environment, it is undervalued for a reason.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date

2025/07/07
Date Created
2020/05/08
Author
araghunath