



Act Fast: This Great Contrarian Value Opportunity Won't Last Long

Description

I'm a big fan of pretty much everything that **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) does. It's a top-notch organization — a fact that one of its subsidiaries, **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NASDAQ:BPY) proved in its Q1 2020 report.

Why I like this subsidiary

Brookfield Property Partners was one of the [most opportune investments](#) you could make in the recent pullback. It has moved up with most other stocks, but it is still trading at a pretty significant discount. It's also a great way to capitalize on the general hatred facing retail and office real estate at the moment.

There are some reasons for the discount, of course. One of the biggest fears with the name is the fact that it primarily deals in office and retail properties. With the current lockdown in place, the stock was punished. No one is going to malls and no one is going to work, which is certainly not positive in the short run.

In the long run, however, the company will do quite well. Brookfield Property focuses on strategically purchasing properties in major cities such as Toronto, New York, Berlin, and more. The core properties in the portfolio are premier properties in densely populated locations. The properties will be in high demand after the virus lockdown is over.

The fear facing these properties drove the unit price down to the point where shares were trading at about half of its book value. Property in those core locations will be in high demand after the current reality passes, making this a great time to buy.

The yield is fantastic

Adding some more enticement to the deal is the fact that this stock still has [a very high 12% yield](#). Furthermore, the company just raised the dividend and looks set to stand by it. The raise was about 5%, which was at the lower end of its 5-8% per year raise target. Personally, I'll take it.

The move that proves their capital allocation excellence

There was one move that proves how excellent this company truly is and it was reported in the Q1 2020 report. During the depths of the downturn, Brookfield Property made one of its greatest shareholder-friendly moves to date. Management used its strong cash flow to purchase shares of the company at a discount.

Finally, a company that knows how to repurchase shares. The normal course issuer bid was in place, and Brookfield bought its own shares at a discount. Over the past several years, many companies have been borrowing money to purchase their shares at all-time highs in order to pump earnings.

The repurchases also support the dividend, as the retired units decrease the amount the company has to pay out in dividends. It also reinforces the fact that it has enough cash to both buy back shares in a period of crisis while paying the dividend.

During that period, the company repurchased 7,752,911 units. Brookfield made an excellent investment in itself, buying shares at an average cost of \$13— the mark of a great company.

The Foolish takeaway

Even if you missed the recent bottom, this is a great stock to buy for yield and capital gains. Brookfield is a great company. Its recent share buybacks at the lower end of the stock range and the dividend increase this year adds confidence to the holding. You can buy this for income or for a trade on the capital gains.

It is certainly not risk-free, and I would not say the distribution is 100% safe with this or any stock. It is a great buy on a risk-to-reward basis, however. Brookfield Property Partners is worth a look today.

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1. Dividend Stocks
2. Investing

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2. TSX:BN (Brookfield)
3. TSX:BPY.UN (Brookfield Property Partners)

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