



## The Highest-Yielding Stock on the TSX: Is Now the Time to Buy?

### Description

**Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is the highest-yielding stock trading on the **TSX** today. It is trading with a whopping 14% dividend yield! If you invested \$5,000 into the name today you could earn \$700 a year, just in dividends!

### This high-yielding stock has a two-front battle

However, investors need to be cautious here. It is the highest-yielding stock on the TSX for a reason (whether fair or not). Before, getting enticed by its juicy dividends, investors need to be aware of the key risks to this stock. Unfortunately, the COVID-19 crisis has unleashed a two front battle for BPY.

### Battle 1: The retail apocalypse

First, this high-yielding stock is risky due the continuing retail apocalypse. 45% of BPY's portfolio is composed of malls and retail properties. It has been seriously challenged by the COVID-19 shutdowns.

With most U.S. malls closed for nearly two months, tenants large and small have struggled to pay rent. Most mall REITs have reported rent collections of 20% or lower, and BPY was likely no different.

With concerns about another pandemic wave and further shutdowns, this business segment faces a lot of uncertainty. We've already seen [a wave of store-front retailer bankruptcies](#) (Aldo, **J.C. Penny**, and J. Crew) with more of them likely.

**Brookfield Asset Management** has tried to offset some of these risks by creating a \$5 billion retailer revitalization program, which could help, at least temporarily. However, it will likely only bolster [retailers that were already in a stable position](#), rather than rescue those that are immediately at risk of business failure.

Fortunately, BPY's retail assets are very well located and of a high quality. Nonetheless, the pandemic has dealt a blow to operations that could take years, not just quarters, to recover from. All the factors

above could put pressure on occupancy, leasing, and rental rate growth for the foreseeable future.

## Battle 2: Work from home

This high-yielding stock faces a second battle in its office portfolio; 37% of its cash flows come from this division. It has a very high quality portfolio of best-in-class office properties, in world-class locations.

Despite this, many companies are now adopting work-from-home operations strategies. Leading companies like **Facebook**, **Shopify**, and **Twitter** have all stated that they plan to reduce their overall office foot print, and implement d-centralized operations.

It is difficult to say whether this trend will truly be lasting. The fact is that business is increasingly becoming digitized. It is not unforeseeable that remote work will gradually become a greater part of everyone's work lives.

BPY's portfolio is 93% occupied and has an average lease term of nine years. Yet, there is a major risk that this theme could slowly reduce the need, demand, and value for more office space over the longer term.

## Should you buy the highest-yielding stock on the TSX?

So, should you buy this massively high-yielding stock?

Frankly it depends on your level of risk tolerance. BPY and its parent company, BAM are well capitalized. They are some of the best managers at unlocking value from distressed and under-valued assets.

If any team can make BPY work again, they can. Yet, this will take time. Given the above battles, there is no certainty that operations *will* recover to pre-pandemic levels.

BPY's high-yielding dividend will likely be sustained this year. Yet, this is not a dividend safety stock. Another major pandemic shutdown or a weak economic recovery could easily force BPY to reduce or withdraw its dividend. The yield is high for a reason; that's the gamble investors take.

Frankly, picking this stock is like flipping a coin. On heads, you lock in a fantastically high-yielding stock that could also see a decent recovery, if all goes well.

On tails, you could lose your dividend, and the downside could be ugly. Good luck! I hope it's heads — but is hope enough?

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

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

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## **Date**

2025/07/06

## **Date Created**

2020/06/30

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