



Value Investors Rejoice! This 12% Yield Just Got Safer

Description

About three months ago, I started pounding the table on REITs, with a special emphasis on **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NASDAQ:BPY). I explained that, while there are risks, the price of the stock was too low to ignore considering the quality of the business. I also stated that **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), the parent organization, had deep pockets which might someday come in handy.

Well, BAM has publicly [thrown its support](#) behind BPY. Recently, the asset manager announced that it would be buying more shares in BPY, increasing its ownership stake by purchasing more than 74 million units of the company back at a premium to the market price on the announcement day.

Before the purchase, BAM owned approximately a 55% stake in the company. After the purchase, BAM will have a 63% stake.

What does this mean for investors?

BAM is a value-focused company that knows how to look for a bargain – and what better bargain is there at the moment than its own subsidiary? BPY is currently trading at less than half of its book value, has a yield of more than 12%, and is still a strong company. While it's suffering from pandemic impacts, these are short-term effects.

I am a self-proclaimed real estate bear and even I can see the positive risk-reward for buying [shares of BPY](#). It is possible that there might be a real estate decline in the future. Nevertheless, BPY is so cheap that the negativity is more than baked in.

You have to realize that BPY focuses on properties located in prime locations in major centres, including cities like New York, Toronto, and Berlin. These cities are most likely going to command a premium valuation going forward.

In addition to its currently hated office and residential investments, BPY is also expanding into other areas such as the multifamily and residential real estate markets. These areas are going to be in very high demand, especially if real estate asset inflation in major centres continues or accelerates in the coming years.

The fantastic yield

Don't forget about the yield. At the current market price, you are receiving an annual yield of about 12%. Tack on the fact that the distribution was raised by about 5% earlier this year and will likely be raised by the target 5-8% again next year. Income investors should rejoice because this is your best chance at a stock with double-digit yield and a potential for huge capital gains.

The bottom line

BAM has spotted a bargain and is acting on it. The company knows that this is an opportunity to make a good return on its own property. I highly suspect that, once the price recovers, BAM will once again sell shares to the public, bringing its ownership stake back down to around 55%. That is the smart way to buy back shares rather than borrowing to buy your shares at a premium like most companies tend to do.

Fortunately, there's still time to get in. The unit price of BPY is still below BAM's buy price, so you are still getting a good deal at this level.

Get in now, earn your double-digit yield, and join BAM on the ride upwards when the stock recovers.

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2. Investing

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