



## Brookfield Property (TSX:BPY.UN) Cut Staff: Is the Dividend Next?

### Description

**Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is probably the most well-known real estate investment trust in the country. The subsidiary of Canada's largest asset manager has spent decades accumulating some of the most iconic properties across the world. This year, this prestigious portfolio is in jeopardy.

Malls, offices and retail spaces across the world have seen a stunning decline in foot traffic ever since the pandemic erupted. Now, tenants in these properties are struggling to make rent payments, forcing Brookfield to lay off 20% of its staff this week. Cutting staff could be a red flag for investors who rely on Brookfield stock for passive income.

### Brookfield dividends

So far this year, Brookfield Property has maintained its quarterly payout of US\$0.3325. However, the stock price has declined 41% year-to-date, which has pushed the effective dividend yield to 12.4%. That makes Brookfield one of the most lucrative dividend stocks on the market.

However, Brookfield's dividends are linked to underlying cash flows from rent. Brookfield's funds from operations (FFO), a key metric for REITs, declined 24% over the six months ended June 30th. At this pace, the company will generate just under US\$1 billion in funds FFO by the end of the year. Dividends, meanwhile, cost US\$572 million over the course of the year.

Brookfield also has roughly US\$1.5 billion (C\$2 billion) in cash and cash equivalents on its books. In other words, the company can maintain its dividend at the current rate for a few more years. To bolster its balance sheet further, the company seems to be raising more funds and cutting back on expenses.

### Cost saving measures

The latest announcement that Brookfield will be laying off 400 of its 2,000 retail staff could be considered a cost-saving measure. As malls and stores remain shut across the world and online shopping becoming an entrenched consumer habit, these cost cuts could be permanent.

Meanwhile, the Brookfield team has raised US\$2.2 billion (C\$2.95 billion) in fresh funds at the end of August to bolster their finances. In short, more cash and lower wage costs should help the trust sustain dividend payouts for the foreseeable future.

In fact, Brookfield seems so confident in its outlook that it's been buying back units from the open market. Since the start of the year, the company has spent over [US\\$1 billion purchase its own stock](#) and lower the number of outstanding shares on the market. Given that the stock is still trading at just 53% of book value per share, these buybacks seem to be a good strategy for creating value.

## Bottom line

Brookfield's property portfolio has been at the epicenter of this crisis. Mall tenants undoubtedly face a bleak future. However, by raising new funds and cutting staff, Brookfield could be ensuring the survival of its lucrative dividend.

Dividend investors should take a closer look at this intriguing contrarian opportunity. Any catalyst that allows commercial real estate to reopen will boost Brookfield's stock. Even without such a catalyst, the stock is undervalued enough to justify closer attention.

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1. Investing

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