1 TSX Stock Trading at a 50% Discount

Description

While residential property values in Canada are booming, retail and office properties are struggling.

Due to the lockdowns imposed throughout Canada during the pandemic, many small businesses and restaurants have shuttered. Many others are hanging on by a thread. The concern that some provinces may be reinstating stricter measures due to a rise in coronavirus cases is unwelcome news to these businesses.

One company, **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY), has been especially hard hit. The stock is currently trading at an approximately 50% discount to its book value.

Brookfield Property Partners

Brookfield Property Partners is the flagship listed real estate company of **Brookfield Asset Management**, with over US$525 billion in assets under management. Brookfield Property Partners holds nearly US$86 billion in total assets.

Brookfield's real estate portfolio includes 40% office space and 40% retail locations. The remaining 20% of the company's assets include multifamily, logistics, hospitality, self-storage, triple net lease, manufactured housing, and student housing.

Hefty dividend

As of this writing, shares of Brookfield Property are trading at $18.23. The dividend yield is a hefty 10.45%.

A large portion of real estate stock returns come from their cash distributions. Many investors count on the reliability of these dividends to provide steady income from their portfolios.

Currently, Brookfield Property can pay for most of its cash distribution with the cash flow it generates from its real estate portfolio. If needed, the rest of the distribution could be paid from cash on its balance sheet. Fortunately, Brookfield Property has enough cash to pay for more than one year of cash distributions without relying on its cash flow.

Second-quarter results

Brookfield Property's revenue in the second quarter fell by 30.5% to US$1.4 billion. This translated to a jaw-dropping quarterly loss of US$1.3 billion for the company.

The company generated US$178 million of funds from operations during the quarter compared to US$335 million in the same period last year. Brookfield Property's occupancy rate fell by 20 basis points to about 92.3%. This drop-off is attributed to the effects of COVID-19.

In the first quarter of 2020, the company reported a 27% drop in revenue to US$1.1 billion for a loss of approximately US$445 million.

Due to the lasting effects from the coronavirus, the company's management recently decided to cut its retail segment workforce by 20%.

The bottom line

The ongoing, prolonged effects of the coronavirus pandemic are taking a huge toll on many businesses, especially those with properties in retail and office space. However, investors are hopeful that Brookfield Property Partners will return to profitability in the third quarter.

According to CEO Brian Kingston, "While we're not completely out of the woods, we expect the severity of the impact of the shutdowns to be largely isolated within the second quarter."

Investors will not have to wait long to hear results. Brookfield Property Partners is scheduled to report its third-quarter results on November 6. At that time, we will know if Kingston was correct and the devastating impact of the pandemic is waning.

According to consensus data from the analysts, the company is expected to report an adjusted net profit of US$882 million in the third quarter.

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