



The Best Real Estate Stock for Income Today

Description

The first thing investors should look for in a potential investment is quality because that can help prevent losses in an investment.

Well, **Brookfield Property Partners LP** ([TSX:BPY.UN](https://www.bny.com/en/real-estate/brookfield-property-partners-lp))(NYSE:BPY) is certainly considered to be a top quality investment. Here's why.

Brookfield Property looks for value investments that are counter-cyclical and priced at a discount to replacement costs. Since it invests globally, it can choose the best assets with the highest risk-adjusted returns.

Quality portfolio

Brookfield Property consists of a global portfolio of best-in-class office and retail properties, including iconic office assets such as Darling Park in Sydney and Brookfield Place in New York, and iconic retail assets such as 730 Fifth Avenue in New York City and Oakbrook Center in Chicago.

Its core office portfolio of about 153 properties is 92% leased with an average lease term of 8.3 years, and its core retail portfolio of about 128 properties is 95.2% leased. These high occupancies provide stable cash flows to support a high yield and growing dividend.

Brookfield Property has 85% of its balance sheet in its core office and retail portfolio, which targets total returns of 10-12%; it has 15% in opportunistic investments, which target higher returns of 20%.

High dividend yield

At under \$31 per unit, Brookfield Property offers a yield of 4.7% based on today's foreign exchange rate. Because it pays a U.S. dollar-denominated distribution, the income received by Canadian unitholders will fluctuate.

However, the fluctuation is in favour of Canadians with a stronger U.S. dollar against the loonie. Even if we use the conservative foreign exchange of US\$1 to CAD\$1.20, at today's price the shares still offer

an above-average yield of 4.3%.

Brookfield Property has been increasing its distribution for the past few years. Its annual payout has grown 12% from 2013's US\$1 to today's US\$1.12 per unit.

Going forward, Brookfield Property aims to increase its distribution by 5-8% per year, which translates to a growth of 6-9.6% for an investment on the Toronto Stock Exchange using the conservative foreign exchange of US\$1 to CAD\$1.20.

To avoid withholding taxes on any U.S. dividends that could be a part of the distribution, investors should hold the security in an RRSP.

Conclusion

Today Brookfield Property shares are more than 20% below its International Financial Reporting Standards value.

As well, Brookfield Property has an investment-grade S&P credit rating of BBB and employs a conservative financing strategy that uses non-recourse debt and debt financing in local currency with primarily fixed interest rates.

If needed, it also looks for the lowest cost of capital to grow the business through recycling capital from stabilized assets or issuing equity.

These factors, along with its high-quality commercial real estate portfolio and a growing 4.7% yield, make Brookfield Property the best quality real estate investment for income today.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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