



Need Income? Check Out This Quality 5% Yield

Description

The low-interest rate environment makes savings accounts, Guaranteed Investment Certificates, and bonds unattractive for current income. Thankfully, investors can turn to the stock market for higher income. And it doesn't have to be as risky as you think.

One quality company to consider for income is **Brookfield Property Partners LP** ([TSX:BPY.UN](https://www.brookfieldproperty.com/real-estate/real-estate-funds/brookfield-property-partners-lp))(NYSE:BPY). It is a limited partnership that's managed by **Brookfield Asset Management Inc.**, which is also its general partner and owns about 62% of Brookfield Property.

Brookfield Asset Management has extensive experience in owning and operating real assets. The team has 115 years of experience and about US\$146 billion of real estate assets under management globally.

The business

Brookfield Property has total assets of US\$66 billion. Its core office and retail assets make up 80% of its total portfolio. The core portfolio provides stable cash flows and steady price appreciation that targets total returns of 10-12%.

The core office portfolio has a high occupancy of 92% and an average lease term of 8.3 years. The portfolio earns 50% of its net operating income from the U.S., 18% from the U.K., 16% from Australia, and 14% from Canada.

The core retail portfolio consists of the 34% fully diluted interest in **General Growth Properties**, which is invested in Class A malls in the U.S. and has a high occupancy of 95%.

Brookfield Property's opportunistic portfolio of multifamily, industrial, hospitality, triple net lease, and self-storage assets make up 20% of its total portfolio.

This portfolio invests in mispriced properties that have significant value-added opportunities and targets total returns of 20%. So, the company's overall long-term returns are targeted to be 12-15%.

Investment philosophy

Brookfield Property is a value-oriented and counter-cyclical investor. It invests in high-quality assets across different geographies and asset types.

Further, the company continually recycles capital from stabilized assets at or near peak values into better opportunities.

For example, year-to-date, Brookfield Property has sold mature office assets, which had an average cap rate of 4.2%, returning US\$1.8 billion of net proceeds for recycling.

In the same period, the company has also sold retail assets, which had an average cap rate of about 4% for net proceeds of US\$420 million.

Growing income

Since Brookfield Property was spun off from Brookfield Asset Management in 2013, it has grown its distribution by 12%.

Today it yields 4.9%. According to its usual schedule, it should hike its distribution in the first quarter of next year.

The company aims to increase its distribution by 5-8% on average per year. The distribution growth is supported by expected funds from operations growth of 8-11% per year.

Valuation

Brookfield Property trades at nearly 23% below its IFRS value and 20% below its book value. Both metrics indicate the units are undervalued.

Conclusion

Brookfield Property is an investment-grade company with an S&P credit rating of BBB. It has a quality, global portfolio of real estate assets that supports its 4.9% yield, which is expected to grow 5-8% a year.

The company also looks for opportunities to recycle capital from selling mature assets and investing in higher-yielding strategies. Most importantly, Brookfield Property trades at a discount. So, it is a good candidate for income and total returns investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/17

Date Created

2016/10/03

Author

kayng

default watermark

default watermark