



Here's a Better Income Investment Than Rental Properties

Description

Buying rental properties requires an immense amount of capital. For most people, it means getting a mortgage. And then they will have to pay interest on top of repaying the principal every month.

Here's an alternative: you can [invest in a portfolio of properties](#) and get rent-like distributions from stocks. You're in luck, too; here's one that looks cheap with a juicy yield to offer.

Brookfield Property Partners LP ([TSX:BPY.UN](#))(NYSE:BPY) is an excellent choice for long-term investors seeking stable income. A potential downside is that Brookfield Property pays a quarterly distribution instead of a monthly one. However, that shouldn't be a deterrent. All you have to do is manage your cash inflow and outflow.



The business

Brookfield Property owns and operates a diversified portfolio of quality assets around the world. It has about \$152 billion of assets under management.

Since 2014, it has increased its funds from operations per unit at a compound annual growth rate of 9%, which allowed it to grow its distribution per unit at a compound annual growth rate of 6%.

Brookfield Property is largely invested in the United States (about 70% of its assets under

management), the United Kingdom and Europe (almost 17%), Australia and Asia (about 8%), Canada (3.8%), and Brazil (1.6%).

It has a core portfolio of office and retail properties, including 100 million square feet across 146 office properties and 123 million square feet across 126 retail properties. Its core retail exposure is its 34% interest in **GGP**, which it has been trying to acquire as of late, and it's a part of the reason why the stock has dipped.

Its core office portfolio has a high occupancy of 92% with an average lease term of eight years, while its core retail portfolio is 95% occupied. Together, the core portfolio generates stable cash flow for the company to sustain its distribution.

Notably, Brookfield Property also has 20% of its balance sheet in opportunistic, mispriced investments, from which it aims for higher returns of 18% or more. They include industrial spaces, student housing, multifamily units, self-storage properties, and more.

Advantages

Brookfield Property is focused on value. Since it invests globally, it can invest in places where capital is scarce and get excellent value for what it pays. When the time is right, it can book gains on the mature assets and recycle the capital in higher-return opportunities.

Investor takeaway

You can [get a juicy yield](#) from buying Brookfield Property today. After dipping ~14% to roughly \$27 per unit, the stock offers a yield of nearly 5.4%. What's more to like is that management aims to grow its distribution per unit by 5-8% per year.

Notably, Brookfield Property's distribution can consist of U.S. interests and dividends. So, interested investors should consider holding its units in an RRSP to prevent foreign tax withholding. If in doubt, consult a financial advisor before making a decision.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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