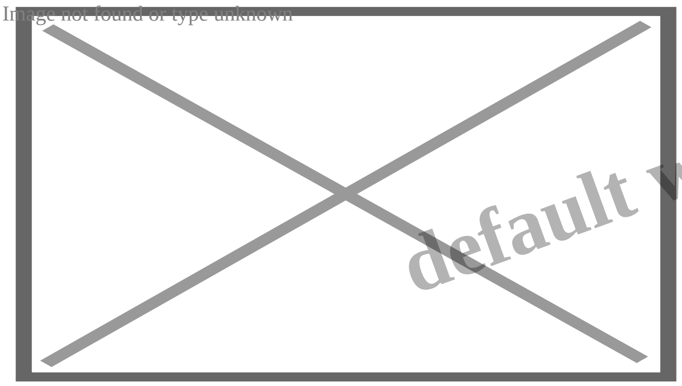
Get Generous Income From These 2 Bargain Stocks

Description

Income investors will welcome the juicy yields of **Brookfield Property Partners LP** (TSX:BPY.UN)(NASDAQ:BPY) and **Plaza Retail REIT** (TSX:PLZ.UN). Brookfield Property and Plaza Retail offer yields of ~6.7%, which are the highest they've been since the companies started trading. Their high yields are thanks largely to their share prices, which have come down significantly lately, and, to a lesser extent, their distribution increases.

Increasing interest rates will make it costlier for these real estate owners to run their businesses, which inherently have high debt levels. Moreover, they have retail properties, which might require hefty investments for redevelopment. These are reasons that have led to the discounted shares. However, fundamentally, the companies remain strong.



Brookfield Property

Brookfield Property's distribution is supported by the cash flow generated from its quality portfolio of core office and retail properties. It has 147 office properties totaling 100 million square feet (msf) in global gateway cities, such as New York, Los Angeles, Berlin, Sydney, Toronto, and London. The core office portfolio is ~93% leased with an average term of ~8.5 years.

Its core retail portfolio is its 34% interest in **GGP Inc.** (NYSE:GGP), which is comprised of 125 best-in-class retail properties totaling 122 msf across the U.S. The recent occupancy of this portfolio was ~96%.

In late March, Brookfield Property reached an agreement to acquire the rest of GGP for a good price. Now, it's waiting for GGP shareholder approval. The acquisition brings some uncertainty, which is another factor that's weighing on Brookfield Property shares.

Along with its opportunistic investments, which makes up ~20% of its balance sheet and targets higher returns, Brookfield Property aims for long-term returns of 12-15% per year and distribution per-unit growth of 5-8% per year. Brookfield Property aims to pay out ~80% of its cash flow, which does not include the buffer that it'll gain from sales of mature assets.

Plaza Retail

Plaza Retail is the landlord of many Shoppers Drug Mart locations, which contribute 25.7% of its base rent revenue. Its second- and third-largest tenants are KFC and **Dollarama**, which contribute 8.5% and 4.7%, respectively, to its base rent revenue.

Plaza Retail's fundamentals were still strong at the end of 2017 with a committed occupancy of 95.2%, a funds from operations payout ratio of 77.1%, an interest coverage ratio of 2.36 times, and a debt-service ratio of 1.68 times, which largely improved compared to the same metrics at the end of 2016.

Investor takeaway

Since Brookfield Property and Plaza Retail stocks have come off meaningfully from their highs and are now trading at attractive valuations, there's probably limited downside to their stocks. Most importantly, they offer sustainable yields of ~6.7%, which income investors seek.

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2. Investing

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