

Get Superior Rental Income From This Bargain Stock

Description

Certain sectors have been negatively impacted by higher interest rates (and the expectation of further increases). One of those sectors is real estate, and it has created an excellent opportunity for investors.

Brookfield Property Partners LP ([TSX:BPY.UN](#))(NASDAQ:BPY) stock is trading at its lowest level since 2014; other than higher interest rates, another factor that's been weighing on the stock is the fact that it has exposure to retail real estate.

The negativity around malls is very real, and there are retailers going out of business. However, there are other retailers that are thriving. So, one has got to look at Brookfield Property's portfolio to see how it's really doing.



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Brookfield Property's portfolio

Brookfield Property owns, operates, and develops office, retail, multifamily, industrial, hospitality, triple net lease, self-storage, student housing, and manufactured housing assets.

Brookfield Property's core office portfolio consists of 148 premier properties totaling ~99 million square feet in gateway cities around the world, such as New York, London, Toronto, Sydney, and Berlin. This portfolio is 92.6% leased with an average lease term of nearly nine years.

Brookfield Property's core retail portfolio is its investment via 34% interest in **GGP Inc.** Brookfield Property is in the midst of acquiring the rest of GGP at a time when investors generally are avoiding retail, which fits its value investing approach, as GGP is trading at its cheapest level since 2011.

GGP consists of 125 quality malls and urban retail properties totaling more than 123 million square feet in the United States. The portfolio's same-property occupancy is 94.3%.

The rest (about 20%) of Brookfield Property's portfolio is in opportunistic investments with the target of higher returns.

Brookfield Property offers an attractive yield

At ~\$24.80 per share, Brookfield Property offers a [compelling yield](#) of ~6.5% thanks partly to a lower share price, a distribution increase of ~6.8% early this year, and a boost from a stronger U.S. dollar against the Canadian dollar (since Brookfield Property offers a U.S. dollar-denominated distribution).

The company's recent payout ratio was 73%, while it targets a ratio of 80%. So, its distribution is sustainable.

Investor takeaway

Brookfield Property has a quality portfolio of real estate that generates strong cash flow. Not only does it offer a safe, juicy yield of ~6.5%, but it also offers upside potential at today's depressed levels.

The **Bank of Nova Scotia** analyst has a US\$24 12-month target on the stock, which represents ~24% near-term upside potential, or ~30% total returns potential when accounting for the yield.

Investors should focus on the income-generation power of Brookfield Property and view any [price appreciation as icing on the cake](#).

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kayng

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