



Now Is the Time to Get This Big Yield and Much More

Description

Some people invest in properties to earn rental income. However, there could be lots to do, unless you hire someone else to manage the properties for you.

The landlord is responsible for all maintenance that is required to keep the property in livable condition. Sometimes tenants refuse or are late to pay rent, and the landlord will have to chase them down.

You can avoid all these potential problems by buying a great business such as **Brookfield Property Partners LP**. ([TSX:BPY.UN](https://www.bny.com/en/real-estate/brookfield-property-partners-lp))(NASDAQ:BPY), which has professional teams to keep on top of everything. Moreover, the stock is trading at its cheapest level since 2014.

Because of the depressed share price, Brookfield Property now offers a generous yield of about 6.3%, which is higher than the yield one would get from buying rental properties today.



Quality assets mean strong cash flow generation

Brookfield Property's core portfolio of high-quality office and retail properties, which makes up about 80% of the company's balance sheet, led to funds from operations per-unit growth of almost 11.8% in the first quarter compared to the same quarter in 2017.

For its core office business, Brookfield Property signed new leases during the quarter which had average rents about 17% higher than leases that were expiring. Although Brookfield Property's [core retail business](#) saw an occupancy decline of 0.4% year over year to 94.3%, it achieved significant mark-to-market rent increases of 21% on average for leases starting in the last 12 months.

Expertise

Brookfield Property also has the expertise to buy properties at a huge discount to replacement cost, improve the properties, and reap terrific returns as a result.

For example, in March, Brookfield Property sold its 51% stake in Denver's second-largest office tower for US\$560 million, a gross investment return of 21%. It acquired the property for US\$215 million in 2011 and achieved net proceeds of US\$159 million.

The Denver office tower is an example of the opportunistic investments that Brookfield Property makes. Its opportunistic investments represent about 20% of the company's balance sheet and aim for returns of 18-20% compared to the core portfolio's 10-12%.

Global access

In the first quarter, Brookfield Property bought a portfolio of +1,000 serviced apartments in the U.K., Dublin, Amsterdam, Paris, and Berlin, as well as acquired a 15-property (about 5,400 beds) portfolio of student housing properties located in 12 university cities throughout the U.K.

It also acquired a four-building, class A office park in Mumbai's central business district at a big discount to replacement cost. It plans to increase occupancy from its current level of below 50%, while significantly improving rents, which currently sit at 25-35% discounts to comparable properties in the market.

Investor takeaway

By investing in Brookfield Property, investors get a juicy 6.3% yield for starters. Thanks to the professional teams at Brookfield Property, the company has been increasing its distribution per unit by 6% per year on average since 2014.

Going forward, the management targets to grow its distribution by 5-8% per year on average, which indicates a total return of about 11-14% is possible for the long term, excluding the value the company can add on from its opportunistic portfolio.

All investors have to do is buy the stock at a good price. And right now, it's the [right time to buy](#).

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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