

## Why This Real Estate Stock Is Not Just Great for Income

### Description

Real estate assets are excellent core holdings for a diversified portfolio. However, buying properties may be out of your budget. In that case, you should consider [this real estate stock](#) that offers great value with a safe +6% distribution yield and upside, too.

**Brookfield Property Partners LP.** ([TSX:BPY.UN](#))(NASDAQ:BPY) stock has been trading in a sideways range for a few years. The real estate stock is depressed, as it trades at the low end of its trading range. This is a fabulous opportunity to buy the stock.

Along with its affiliates, the limited partnership has grown its scale to have about US\$159 billion of assets under management as of May. When investing in Brookfield Property, you're also investing in the management team — **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)), which owns about 69% of Brookfield Property and is a top-notch global alternative asset manager and one of the largest investors in real assets.

BAM is what allows Brookfield Property to make large-scale acquisitions, such as [gobbling up the rest of GGP Inc.](#) (of which it already owns 34% equity interest), when targeted assets are relatively cheap.



### What Brookfield Property will look like after acquiring GGP

After the GGP acquisition, BAM will own about 52% of Brookfield Property, and Brookfield Property will have about US\$90 billion of proportionate assets, including about 44% in its core office portfolio, 39% in its core retail portfolio (i.e., GGP), and about 17% in its opportunistic portfolio, which targets higher total returns. Brookfield Property also has an additional US\$4 billion of active development projects for its core office portfolio.

Management expects the GGP transaction will immediately boost Brookfield Property's funds from operations per unit by 5% as well as more than double the public float of the stock. The significant increase of the liquidity can attract new investors and lead to real estate index inclusion, which can potentially push the stock higher to more closely reflect its fair value.

### **A fabulous +6% dividend yield and more**

The depressed stock has pushed Brookfield Property's distribution yield to be above 6%. So, it is a great income stock. Furthermore, the stock is trading at about a 30% discount from its IFRS value, which indicates there should be some nice price appreciation potential as well.

With a target payout ratio of about 80%, which doesn't include the buffer from its asset sales, Brookfield Property's juicy yield is rock solid.

Income and retired investors should consider this bargain stock for safe income in their RRSPs because a large portion of its distribution tends to be interest income sourced from the United States. For example, in the first half of this year, more than half of the distribution was categorized as U.S. interest income.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:BPY.UN (Brookfield Property Partners)

### **PARTNER-FEEDS**

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