



Should You Buy RioCan Real Estate Investment Trust (TSX:REI.UN) or Brookfield Property Partners (TSX:BPY.UN) Today?

Description

Investors interested in real estate have a wide variety of options available in the TSX Index.

Let's take a look at **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) and **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) to see if one is a better pick for your [portfolio](#) today.

RioCan

RioCan is Canada's largest REIT targeting retail buildings. The company's major tenants tend to be national players in sectors such as food, drug stores, and everyday household items, with no single client representing more than 5% of revenue.

Demand remains strong for the company's locations, even as some segments of the market are falling prey to online competition. The exit of **Target** and **Sears** from the Canadian market made big headlines in the past couple of years, but RioCan found new tenants that replaced more than 100% of the lost revenue from those companies. Committed occupancy was 96.8% at the end of Q2 2018, essentially in line with the long-term trend.

RioCan is working through a strategy shift that will see it monetize about \$2 billion in non-core assets. The funds are being used to shore up the balance sheet and help finance the mixed-use development initiatives. RioCan is planning to build up to 10,000 residential units at its core urban locations over the next decade. The first projects located in Toronto and Ottawa are progressing well.

RioCan reported solid results for the first half of 2018, with a 4.3% increase in funds from operations on a per-unit basis.

Rising interest rates will have an impact on borrowing costs and higher payments could put a pinch on cash flow available for distributions. However, RioCan's debt level is reasonable and no more than 20% of the debt is maturing in any single year over the coming five years.

The monthly distribution looks safe and currently provides a [yield](#) of 5.6%.

Brookfield Property Partners

This company is the commercial property arm of **Brookfield Asset Management**, investing in real estate assets around the globe.

The appeal here is that investors get an opportunity to own a piece of some of the top business towers in world's largest cities. The company also provides exposure across a wide variety of other real estate sectors, including multifamily buildings, shopping malls, industrial buildings, hotels, self-storage locations, and even student housing.

Management's objective is to earn leveraged after-tax returns of 12-15% on the invested capital and boost the distribution by 5-8% per year. The current payout provides a yield of 4.8%.

Is one more attractive?

RioCan and Brookfield Property Partners should both be solid picks for an income-focused portfolio. If you only buy one, I would probably make Brookfield Property Partners the first choice. The diversification across different countries and real estate segments should make the stock a safer bet.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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