Seeking a Reliable Source of Passive Income? Buy This Blue Chip REIT Yielding Over 6%

Description

The Fed's decision to take a more dovish approach to monetary policy and to freeze rate hikes for the remainder of 2019 has made traditional fixed income investments, such as bonds, less appealing to retirees and other income-focused investors. It has in fact triggered a hunt for yield, sparking a surge in the popularity of dividend-paying stocks and real estate investment trusts (REITs).

default watermark

One REIT that stands out for all the right reasons including its very juicy yield of 6.6% is **Brookfield Property Partners** (TSX:BPY)(NASDAQ:BPY). Essentially, the trust is the real estate investment vehicle of choice for its controlling investor **Brookfield Asset Management**.

High-quality property assets

The trust owns a portfolio of what can only be described as Rockstar properties, including Brookfield Place in New York, Fashion Show Mall Las Vegas, Woodlands Mall Houston, Canary Wharf London and Darling Park Sydney. Those top-tier properties highlight the quality of Brookfield Property's globally diversified core portfolio, holding 142 office assets totaling 96 million square feet and 124 urban retail properties totaling 121 million square feet.

The company also engages in the opportunistic acquisition and development of light industrial, hospitality, residential and mixed-use properties. Those assets are located in Canada, the U.S., Brazil, Australia, India, China, Spain, France, the U.K. and Germany.

Earnings poised to grow

While first-quarter 2019 net income fell by a worrisome 30%, net operating income (NOI) and funds from operations (FFO) expanded by a notable 30% and 15%, respectively. The sharp decline in net income can be attributed to the one-off gains generated by Brookfield Property obtaining control over Brookfield Global Real Estate Special Opportunities Inc. during the same period in 2018.

However, the healthy bump in NOI and FFO was the result of earlier acquisitions and completion of properties under development.

Brookfield Property will continue to experience solid earnings growth. It has a 12 million square feet of properties under construction with a projected cost of over US$6 billion focused on the high growth markets of London and New York. The trust also recently completed office towers in Toronto, London and Perth, which will give short-term earnings a solid lift.

Brookfield Property Partners has a long-established history of earnings growth, having expanded its FFO per unit at a compound annual growth rate (CAGR) of 8% from 2014 to 2018. Those recently completed properties combined with a steady pipeline of developments coming online between now and 2023 will ensure that FFO and the trust's earnings will continue growing at a solid clip.

Why now is the time to buy

While these are all attractive, attributed and highlight why Brookfield Property is an appealing investment, it is the fact that the trust is trading at a deep-discount to its net-asset-value (NAV) that makes it so appealing. According to the trust's latest presentation, the average analyst NAV is US$27.41 per share, which means that with Brookfield Property trading at around $26.60 per unit at writing, there is around 30% upside available.

default watermark

This indicates that Brookfield Property is undervalued, making now the time to buy, particularly when the quality of its property and proven capability to grow earnings are considered.

While investors wait for that to occur, they will be rewarded by that regular sustained distribution yielding a very juicy 6.6%. With a payout ratio of 60%, along with growing earnings and the certainty of Brookfield Property's revenues, that distribution certainly appears sustainable.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/20
Date Created
2019/05/16
Author
mattdsmith

default watermark

default watermark