



Get Juicy Passive Income From REITs for Your Portfolio

Description

[Getting juicy passive income](#) from real estate assets is a wonderful way to generate consistent returns on your investment. You can do so simply and easily without taking on debt by buying real estate investment trusts (REITs) or REIT funds such as **iShares S&P/TSX Capped REIT Index Fund** and **Vanguard Real Estate ETF**.

One of my favourite REITs I want to share with you is **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY).

It used to be impossible for retail investors to gain access to expensive commercial real estate, including office towers and buzzing class A+ shopping malls, which require investments of billions of dollars. The assets generate a secure stream of cash flow that channel juicy dividends to investors' pockets. And you can access all that and more from Brookfield Property.

The REIT owns, operates, and develops one of the largest global portfolios of office, retail, multifamily, industrial, hospitality, triple net lease, self-storage, student housing, and manufactured housing assets.

Brookfield Properties generates stable cash flow from its core portfolio of office and retail assets while keeping about 20% of its balance sheet in opportunistic investments that aim for higher returns and also generate cash flows in the meantime.

It is an active value investor that aims to raise US\$1-2 billion of net proceeds every year from selling mature or stabilized assets. The proceeds are used for maintaining its properties, reducing debt levels, recycling into its core businesses, or buying back units when the stock is cheap.



In Q1 2019, the company got net proceeds of US\$296 million and realized gains of US\$60 million, and it was on target to raise US\$1-2 billion for the year. The assets were sold at prices that were 3.6% higher than their fair accounting values, which indicates there continues to be strong demand for Brookfield Property's quality assets.

The sales included a portfolio of retail properties in China, three office buildings in Brazil, five multifamily buildings in the United States, and an office park in southern California. The list showcases Brookfield Property's flexibility as a global company — it can buy or sell where it best makes sense on a risk-adjusted basis.

For long-term investors, Brookfield Property is an excellent core holding that's currently generating a safe yield of 6.6%, which is hard to find on the market. The cash distribution has good coverage; the 2018 payout ratio was 85% and was further improved to about 60% from asset sale gains. Additionally, management aims to increase the cash distribution by 5-8% annually.

Foolish takeaway

At US\$19.92 per unit (under CAD\$27 per unit), Brookfield Property trades at about a 31% discount from its fair accounting value. It normally trades at about a 20% discount. So, it's actually trading at a discount of about 11%. That's a decent discount for [a safe high-yield stock to get passive income from](#).

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

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

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