



Boost Passive Income by Buying This Brookfield Company Today and Lock In an 8% Yield

Description

The Fed's decision to hold off on further interest rate increases earlier this year, which sees rates remaining at close to [historical lows](#), has sparked a [hunt for yield](#) among income-focused investors. This has seen many retirees and other investors seeking to build a readily recurring passive-income stream turn to high-yield dividend-paying stocks. That surge in popularity has pushed the prices of many stocks to new highs, but that shouldn't deter investors from seeking out quality companies paying reliable, high-yielding dividends. One such company is **Bridgemark Real Estate Services (TSX:BRE)**, which is a member of the **Brookfield Asset Management** stable of companies.

It is a leading provider of services to residential and commercial real estate brokers and a wholly owned subsidiary of **Brookfield Business Partners**. Bridgemark has hiked its dividend for the last five years straight to yield a very juicy 8%. There is some concern over the sustainability of that monthly dividend because its payout ratio is in excess of 100% of net income, so let's take a closer look to see whether Bridgemark is a worthwhile addition to your portfolio.

The company, through long-term franchise agreements, provides a suite of services, tools, and information to real estate brokers, allowing them to more effectively service their clients and the communities where they operate. As of the end of the first quarter 2019, the volume of realtors operating under its branded services, Royal LePage, Via Capitale, and Johnston & Daniel, had grown by 3% to 19,231.

While revenue for the quarter declined marginally, dropping by 4% year over year to \$10 million, Bridgemark reported that its net loss had ballooned out to \$8.4 million compared to a loss of \$365,000 a year earlier. That worrying increase in the company's loss was caused by a series of impairments and write-offs — the most significant being a loss of \$7.8 million on the fair value of the exchangeable units held by Brookfield Business Partners.

Those charges didn't impact Bridgemark's distributable cash flow, which, for the first quarter, came to \$3.5 million, which was a notable improvement over the negative \$2.2 million reported a year earlier. That solid growth indicates the dividend is sustainable with that payment for the quarter being just

under 93% of distributable cash flow. The sustainability of Bridgemark's dividend is further emphasized by the payment being equivalent to 86% of the company's rolling 12-month distributable cash flow.

Bridgemark expects earnings and distributable cash flow to grow, despite a softer outlook for Canada's housing market. It anticipates achieving this by recruiting additional brokerages and realtors, boosting productivity, and expanding the suite of products as well as services available. The company has been able to expand its network at a 5% compound annual growth rate since 2003 and appears on track to maintain that momentum.

Bridgemark also believes that the housing market will start to pick up in 2020, with it expecting that sales activity and the average national sales price will firm, driving earnings higher.

Bridgemark is a niche investment; because of its small size and key dependency on the domestic housing market, it would normally be considered risky.

Nonetheless, much of that risk is mitigated by involvement of property behemoth Brookfield Asset Management. Bridgemark provides investors with direct exposure to Canada's housing market and the opportunity to receive a monthly dividend yielding a monster 8%, which, by all accounts, appears sustainable, making it a very attractive stock for investors seeking to create a recurring source of passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BRE (Bridgemark Real Estate Services Inc.)

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