



Income Investors: Get This Safe 7% Yield for Your RRSP Now!

Description

What an incredible opportunity this is to get a safe +7% yield from **Brookfield Property Partners** ([TSX:BPY.UN](https://www.brookfieldproperty.com/stock-exchange-listings))(NASDAQ:BPY) stock for your RRSP account!

The high yield is partly thanks to the more than 11% retreat of the stock, as it reported its first-quarter results, as well as the stock's tendency to increase its dividend every year.

How Brookfield Property is able to pay out a high yield and an increasing dividend

BPY has a combined strategy of owning, operating, and developing a diversified global real estate portfolio, as well as selling assets to maintain its high dividend yield and [dividend increases](#).

The company has about 80% of its balance sheet in a core office and core retail portfolio that generates stable cash flows and targets total returns of 10-12%.

The rest of its balance sheet consists of a portfolio of mispriced properties and/or properties with significant value-add, such that the experienced BPY team can improve on the assets and either get higher rental income from them or sell them at a higher valuation in the future.

For this portfolio, BPY aims for whopping total returns of 18-20%, which come from cash flow generated from the assets as well as sales of mature assets.



Recent results

Brookfield Property reported its first-quarter results on May 9. It generated funds from operations (FFO) and realized gains of US\$367 million for the quarter, which was 37% higher than the period a year ago. However, on a per-unit basis, it only stayed flat at US\$0.38, which indicated some dilution with its acquisitions. Still, the end result was a Q1 payout ratio of 87%, which was more than sufficient to cover the cash distribution.

We get a glimpse of the health of BPY's individual business segments from looking at the year-over-year changes in their FFO generation.

In the first quarter, the core office segment generated FFO of US\$140 million, down 8.5% compared to the same period in the prior year. The FFO decline was due to higher interest rates and the negative impact of a stronger U.S. dollar, which the company can't control.

However, the quality assets and the team's expertise led to 4.2% same-property net operating income growth, and BPY was able to sign leases at rents 16% higher on average than leases that expired in the period.

The core retail segment generated FFO of US\$184 million, up 59% year over year thanks to the GGP acquisition in August 2018, as BPY acquired the remaining stake in the class A U.S. mall portfolio.

The opportunistic portfolio generated FFO, realizing gains of US\$146 million, up 52% year over year. This included US\$60 million of realized gains from the sales of mature assets.

Foolish takeaway

At writing, Brookfield Property offers a yield of 7.1%. Combined with the 5-8% per year cash distribution growth that management aims for, the stock can deliver total returns of about 12-15% per year. The discounted shares will likely boost those returns. What an incredible opportunity BPY stock is!

Notably, BPY's cash distribution is a bit complicated. For example, its Q1 cash distribution consisted of U.S. interest, REIT dividend, and return of capital that are subject to U.S. withholding taxes — unless

you hold the stock in your RRSP.

This makes BPY a perfect stock for income and total returns investors alike to buy and hold in their RRSPs/RRIFs. Quality [real estate](#) assets makes a great addition to any diversified income portfolio for their stable cash flow generation abilities.

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