



This REIT Yielding Over 7% Is on Sale: Now Is the Time to Buy

Description

Real estate investment trusts (REITs) are renowned for their stability, lack of volatility and sustainable distributions. They also make handy defensive stocks because of their reliable income payments and their ownership of hard assets, such as commercial real estate, which tends not to depreciate as rapidly as other assets during an economic slump.

It is rare that investors would look to REITs when seeking capital growth, but one which is heavily under appreciated by the market is **Brookfield Property Partners** ([TSX:BPY.UN](https://www.bxp.com))(NASDAQ:BPY).

Trading at a discount

Brookfield Property forms part of the renowned Brookfield [stable of businesses](#) headed up by **Brookfield Asset Management**, which has become a powerhouse of property and infrastructure operations that are now household names.

While the trust's sustainable distribution, which yields 7% and has been hiked for the last six years straight, qualifying it as a [Dividend Aristocrat](#), makes it an attractive investment, it is the fact that it is trading at a deep discount to its net asset value (NAV) that makes now the time to buy.

The average analyst NAV for Brookfield Property is around \$36 per unit, which is roughly 32% greater than its current market price, highlighting that it is trading at a significant discount to its fair value, emphasizing the considerable upside available.

NAV is a superior measure to determine the value of a REIT to book value because it doesn't include non-productive, intangible, or non-income-producing assets, thereby giving a far more accurate statement as to a REIT's value.

Typically, if a REIT is trading at discount to its NAV, especially one which is widely held among analysts, as in the case of Brookfield Property, then it represents a bargain.

While the opportunity to acquire a high-quality REIT like Brookfield Property at a discount to its NAV is

rare, it isn't the only reason to buy the stock.

Growing distribution

The trust's regularly growing quarterly distribution makes it an extremely appealing investment. Brookfield Property's distribution is sustainable because it has a payout ratio of 94% of FFO and a conservative 68% of diluted net income attributable to unitholders. This not only indicates that the extremely appealing yield is sustainable, but that there are further distribution increases ahead.

You see, Brookfield Property's earnings and hence FFO will continue to grow at a solid clip.

This growth is supported by the quality of its portfolio, which includes global marque assets like Brookfield Place New York and Canary Wharf London as well as other premier office and retail properties. This means there is no shortage of major enterprises seeking floorspace at the prestigious addresses owned by Brookfield Property.

Then there is the trust's capital-recycling strategy aimed realizing profits by selling mature assets and making attractive opportune acquisitions with considerable growth potential.

Brookfield Property expects to experience same-property growth of 2-3% and realize significant earnings growth from its more speculative LP Investments business. These factors have allowed Brookfield Property to expand its FFO per unit at a compound annual growth rate (CAGR) of 8% since 2014, supporting a 6% CAGR for its distribution.

Foolish takeaway

It is rare that investors can acquire a high-quality REIT like Brookfield Property trading at a deep discount to is NAV and that pays a regular sustainable distribution yielding 7%.

For these reasons, now is the time to buy Brookfield Property to lock in that juicy yield before the market appreciates its true potential and the stock's value soars.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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