Become a Global Real Estate Investor With These 2 REITs Yielding 6% or More

Description

Investing in hard assets such as real estate has long been recognized as one of the safest paths to achieving financial independence and investing success. While direct property ownership is littered with pitfalls including poor tenants, costly maintenance and periods of vacancy, there is a way to reduce stress and risk while still enjoying the benefits of real estate ownership.

This is done by investing in listed real estate investment trusts (REITs). Not only do they remove the burden associated with managing rental properties, but they also provide greater liquidity, a more certain source of income and allow investors to diversify across different classes of property.

Let's take a closer look at two REITs that not only possess yields of 6% or more, which is well above the average yield for a residential rental property in a major Canadian city, but are also trading at a discount to their net-asset-value (NAV). That is particularly important to note because high-quality REITs rarely trade at a significant discount to the value of their assets. Not only can investors access a recurring income stream, but they also offer the opportunity to benefit from significant capital appreciation.

Leading global real estate investor

Brookfield Property Partners (TSX:BPY)(NASDAQ:BPY) owns a globally diversified portfolio of flagship office and retail properties. Its marque properties include Brookfield Place in New York, London's Canary Wharf and Darling Park in Sydney. Over 93% of its portfolio is occupied and the average remaining lease term is 8.4 years.

Brookfield Property's regular growing distribution yielding a very juicy 7% which**,** with a payout ratio of 66% of funds from operations (FFO) appears sustainable, certainly makes it an appealing investment. The REIT has a long history of growing earnings with FFO expanding by 8% annually since 2014 and expected same property growth of 2% to 3% annually.

These aren't the only reasons to buy what is one of the best international diversified REITs available. A key consideration is that Brookfield Property is trading a significant 29% discount to its NAV. It's rare to find such an attractive high-quality REIT trading at such a deep discount to its NAV, making now the time to buy.

Gain exposure to Europe

Dream Global REIT (TSX:DRG.UN) typically garners far less interest than many better-known Canadian REITs. It pays a regular distribution yielding 6% which with a payout ratio of around 77% of diluted FFO is sustainable. Dream Global owns a portfolio of predominantly office properties in Belgium, Netherlands, Germany and Austria, which at the end of the first quarter 2019 had an occupancy rate of 91.7%.

Dream Global has a long history of steadily growing earnings and assets. First quarter net rental income of $66 million was almost 4% greater than the same period a year earlier, while FFO of $51.3 million was 8% higher. Dream Global has a portfolio of quality tenants, including leading European businesses such as Deutsche Post, Siemen and BNP Paribas among the top 10.

Like Brookfield Property, Dream Global is trading a significant discount to its NAV. At the end of the first quarter, its NAV was calculated to be $16.36 per unit, which is 20% greater than Dream Global's current market value, thereby indicating that there is plenty of capital appreciation available for investors.

Foolish takeaway

Both REITs allow investors to globally diversify their portfolio while boosting exposure to hard assets, which have proven to be resilient during times of economic weakness. They also provide investors with a recurring sustainable passive income stream while yielding more than most rental properties. When considered in conjunction with them trading at a discount to their NAV, now is the time to buy Brookfield Property and Dream Global.

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

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Date
2025/08/23
Date Created
2019/06/10
Author
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