Get $1,000 of Passive Income a Year From This Reliable REIT

Description

Real estate has been a proven method to earn passive income. However, landlords don't earn true passive income if they have to manage the properties, chase the tenants for the rental income, or pay a property manager to do the job.

Real estate investment trusts (REITs) make it easy and simple for earning true passive income. **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) is a reliable REIT you can trust with your hard-earned money.

Managed by one of the best managers in the world

Brookfield Asset Management (BAM) is one of the best global alternative asset managers. It's the general manager and partner of Brookfield Property; it has a large stake, 51% specifically, in Brookfield Property.

So, BAM's interests are aligned with those of BPY shareholders.

As an owner, BAM gets juicy cash distributions from BPY. As an operator, BAM can get outsized returns by improving the portfolio and operations, working on development and redevelopment projects, and buying and selling properties using a value-investing strategy.

The real estate portfolio

Brookfield Property's real estate portfolio is always growing. In the latest quarter, it had US$85 billion of assets, including a core office and core retail portfolio and an opportunistic portfolio of high-quality assets with operational upside across sectors of multifamily, logistics, hospitality, triple net lease, self storage, student housing, manufactured housing, office, and retail.

BPY generates stable cash flows from its core portfolios and expects even higher returns from its opportunistic portfolio. It can sell the assets for outsized returns or earn higher rent from its opportunistic portfolio after it has worked its magic with its operational expertise.

For example, the BSREP I fund that's running for the seventh year in the opportunistic portfolio has already booked profits in seven investments for gross returns of 29.3% per year.

BPY estimates that its overall opportunistic portfolio will deliver returns of 26% per year with gains of 2.2 times its original invested capital! This strategy contributes to the stock's cash distribution as well.

Get $1,000 of passive income a year from BPY

What attracts investors to Brookfield Property is its safe, juicy cash distribution. As of writing, it offers a whopping yield of 7.09%. To get a passive income of $1,000 from BPY, investors can simply invest $14,105 in the stock, which implies buying 566 units.

Notably, BPY pays out a U.S. dollar-denominated cash distribution. So, its yield will fluctuate with the changing forex between the U.S. dollar and the Canadian dollar. Investors can start off with an annual payout of US$1.32 per unit today, which is paid out quarterly.

Management expects to increase the cash distribution by 5-8% per year. Assuming BPY increases its cash distribution by only 5% per year, investors can get their entire investment back in 11 years solely from the cash distribution.

What total returns can you expect?

Assuming a 7% yield and 5% per year growth of the cash distribution, estimated long-term returns in

the stock are about 12%. What's more exciting is that BPY stock trades at a huge discount from its fair value — a 35% discount! This means that in all likelihood, buyers today can get returns of more than 12% from a boost in the stock's valuation.

Foolish takeaway

Earn true passive income by buying Brookfield Property today to start yourself off with a 7% yield from a reliable REIT. Then simply add to it on any meaningful dips and watch your dividend income roll in with a bigger amount every year!

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1. Dividend Stocks
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TICKERS GLOBAL

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

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