1 Top REIT Yielding 6.6% to Buy in September

Description

Near historically low interest rates, fears of a recession, and a weaker-than-anticipated global economy are all weighing on the ability to generate wealth. This has become a particularly important issue for those nearing retirement and income-hungry investors such as retirees.

While the volatility associated with many stocks is a deterrent for many investors close to retirement, **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) is a less-volatile stock that is attractively valued and paying a regular distribution which yields a very juicy 6.6%.

Quality, diversified assets

Essentially Brookfield Property Partners is a real estate investment trust (REIT) which is essentially responsible for managing **Brookfield Asset Management's** real estate investments. It owns a globally diversified portfolio of predominantly commercial real estate focused on office and retail properties as well as a range of speculative assets.

Many of the partnership's core office and retail assets are internationally recognized marque properties, such as London's Principal Place, Brookfield Place in New York, Woodlands Mall in Houston and Seoul's Conrad Hotel.

Such an impressive portfolio of globally recognized marque assets means that Brookfield Property is relatively immune to the headwinds facing many smaller REITs, especially those operating lower-grade retail properties. The desirability of those properties highlights why it is an attractive investment.

Brookfield Property's appeal is further enhanced by its solid second-quarter 2019 results, where it reported some robust numbers, including an impressive 91.2% occupancy rate for its core office properties and 95% for its retail assets. Net operating income (NOI) for the period shot up by a healthy 24% year over year to US$1.1 billion, and funds from operations (FFO) popped by a notable 39% to US$291 million.

While those are solid numbers, and there is every indication that Brookfield Property's earnings will continue to expand, making it an attractive stock to acquire, it is the fact that it is trading at deep discount to its net asset value (NAV), which makes now the time to buy.

The average analyst NAV for the partnership is US$27 per unit, which represents a premium of around 33% over its current market value, highlighting the considerable upside available for investors. It is rare to find such a high-quality REIT like Brookfield Property trading at such a significant discount to its NAV, making now the time to buy.

The reasons for the discount are quite simple; the ongoing transformation of brick-and-mortar retailing has created a substantial amount of risk for those REITs that own shopping malls and other retail properties. There is also considerable concern about Brookfield Property's significant leverage.

Nonetheless, the market's perceived degree of risk regarding those threats appears heavily overbaked. This is because the significant quality and status of many of Brookfield Property's core retail properties makes them virtually immune to the cataclysm sweeping across traditional brick-and-mortar retailers. This is evident from the impressive occupancy rate reported for the second quarter 2019.

Management is also focused on driving-down the degree of leverage. By the end of the second quarter, total debt obligations had fallen by 12% compared to the end of December 2018. There is every indication that Brookfield Property's debt will continue to decrease as it sells additional noncore assets.

The risk that such a high degree of leverage poses is further reduced by Brookfield Property's ability to access substantial amounts of low-cost capital through its relationship with Brookfield Asset Management.

Foolish takeaway

Aside from Brookfield Property trading at a deep discount to its NAV, what makes it especially attractive is its steadily growing distribution, which it has hiked for the last six years straight to be yielding a very juicy 6.6%.

The REIT's distribution-reinvestment plan (DRIP), where unitholders can use distributions to acquire additional units at no added cost, means investors can access the power of compounding, allowing them to accelerate the pace at which they build wealth.

This becomes evident when it is considered that a $10,000 investment made in Brookfield Property five years ago would now be worth $14,796, which is a total return of 48%, or 8% annually. That is compared to $14,510 or an annual return of 7.5% had the distributions been taken as cash.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/19
Date Created
2019/09/12
Author
mattdsmith