



## RRSP Investors: You'll Love Being a Passive Landlord in This REIT

### Description

**Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is a wonderful business with excellent management. It's managed by **Brookfield Asset Management** — more fondly known as BAM — which has about 120 years of experience owning and operating (essentially being actively involved in investing) in real assets like real estate.

Curiously, BPY has performed the worst year to date in terms of price appreciation compared to BAM's other subsidiaries, which are invested in other types of real assets: renewable energy, infrastructure, and businesses. Still, BPY has appreciated 22%, which still beat the Canadian stock market but underperformed the U.S. stock market by a few percentage points.

Interestingly, BPY stock has popped in the last week. One has to wonder if it would break out in the potential Santa Claus rally because it's ridiculously undervalued.

In any case, BPY's yield is one to drool over. As I'm typing this, the REIT offers a whopping yield of 6.7%, which is [giant income that's hard to come by](#).

One might guess that BPY has zero growth for the juicy yield that it offers, but that's far from the truth.

### Growth

Organically, BPY can growth by raising rents on its properties. For its core office portfolio across 143 premier properties, it has 7.2% mark-to-market opportunities on expiring leases.

For its core retail portfolio across 123 top-notch properties, it has rent spreads of about 7% for recent leases. It also has a pipeline of active development projects totaling US\$6.5 billion in the office and multifamily space and \$1.6 billion of core retail development projects for 2021-2025.

Additionally, BPY leaves 15% of its balance sheet to invest in mispriced assets that have incredible returns to the upside after it works its magic. That's the benefit of being a skilled operator and having the ability to improve the assets! BPY can either sell these assets at much higher prices than it bought

them for or increase the rental income from these properties.

On average, BAM has made a gain of 2.1 times its original investments across six opportunistic real estate funds with inception years from 2006 to 2017. (It wasn't until 2013 that BAM spun off BPY, allowing investors to directly invest in the real estate arm.)

The benefit is tremendous for income investors, because BPY offers a gigantic yield compared to BAM. (BAM is more for growth-focused investors.)

## Income

BPY offers a cash distribution of US\$0.33 per share every quarter, equating to an annualized payout of US\$1.32. But that's just the start! In Q1, it's likely that it will increase the cash distribution by 5-8%, just like it did in the previous year and the year before that.

Assuming a dividend hike of 5%, the stock offers a forward yield of over 7%! Holding the stock in an RRSP or RRIF is a great way to receive the juicy income. If you don't need the money now, you can reinvest it in a tax-deferred environment for even greater returns.

Because BPY's yield is so humongous, the position will become massive very quickly if you reinvest the dividends back into the same stock. Instead, you can consider reinvesting it in [other great dividend stocks](#) to diversify your portfolio.

Stay hungry. Stay Foolish.

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