Lazy Landlords: Collect $550 a Month With Less Than $100,000

Description

Let's admit it. Landlords don't earn passive income. There are work and obligations required of landlords, which is why I like being a lazy landlord by investing in quality real estate investment trusts (REITs).

In REITs, professional management manages hugely diversified portfolios of real estate assets for me, and I get to sit back and enjoy truly passive big paycheques of rental income.

Brookfield Property Partners (TSX:BPY.UN)(NASDAQ:BPY) is my favourite REIT right now for being a safe investment, having a massive yield, and anticipated to generate high returns.

Safe investment

A safe investment entails a lot of things, including having quality underlying assets and excellent management of the business. It also entails that investors paid a fair or better price for the shares.

Quality portfolio

Brookfield Property has a diversified portfolio in core office properties in gateway cities around the world and top-notch retail properties in the U.S.

Since the company acquired the remaining majority stake in GGP for its core retail exposure in 2018, it could take a much more active role in improving the portfolio and its properties.

The high occupancy rate of BPY's core office and retail portfolios in the 90s range percentages indicate their high quality. Additionally, it has mark-to-market opportunities to increase rental income. The office portfolio also has an average lease term of about eight years, signifying stable cash flow generation.

Excellent management

As a subsidiary of **Brookfield Asset Management**, which is also BPY's general partner and manager, BPY takes part in the opportunities that originate from Brookfield's network and participates in Brookfield-sponsored private real estate funds, which have historically generated double-digit returns in the long haul.

Overall, management aims for long-term total returns of 12-15% for BPY. Buying the stock at a discount now implies more impressive returns!

BPY's debt-to-equity ratio of 143% appears to be high. However, 84% of its debt obligations are tied to the underlying properties. In the worst case scenario (with an extremely low chance of happening), if a problematic property defaults, BPY will hand it over with the remaining income-generating portfolio unscathed.

A great value

If investors pay an expensive price for a quality company, it will be a risky investment. Apart from having a quality portfolio and excellent management, Brookfield Property trades at a substantial discount of 33% from its fair accounting value. So, BPY lands in the safe investment bucket.

A massive dividend yield

Since Brookfield Property was spun off from BAM, it has increased its cash distribution by 6% per year while growing its funds from operations per share by 8% per year, which means that BPY has hiked its dividend conservatively.

At writing, the stock provides a yield of 6.88%. Investors therefore only have to invest roughly $95,930 (for about 2,747 shares) to generate $550 per month of passive income!

This is a fabulous deal compared to yields generated from being an active landlord, especially if you reside in hot real estate markets like Toronto and Vancouver!

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