



2 Attractively Valued REITs Yielding +6% to Build Passive Income

Description

Near historically low interest rates, poor yields from traditional income-producing assets, such as bonds, and rising volatility have all contributed to the soaring popularity of real estate investment trusts (REITs). Not only do they invest in real estate, which is a hard asset, making them resilient to economic downturns, but they are legally obliged to payout most of the earnings as income to investors if they are to return their tax-sheltered status. That sees many offering regular sustainable distributions with juicy yield of 6% or more.

Here are two REITs trading at a discount that every investor should consider adding to their portfolio to boost income and growth.

Globally diversified portfolio

An extremely appealing REIT is **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY), which pays a regular distribution yielding a very juicy 6.7%. The REIT owns a globally diversified [real estate portfolio](#) focused on retail and office properties, which includes a number of world-recognized marque commercial properties.

Brookfield Property is focused on unlocking value from its portfolio through a combination of developing existing assets, recycling capital by selling mature as well as non-core properties and boosting operational profitability. During the third quarter 2019, Brookfield Property completed US\$1.4 billion of asset sales and it completed the US\$703 million acquisition of a 45% interest in the New York Crown Building retail property.

The REIT is also committed to investing US\$139 million in two deals: a retail property in Dubai and a portfolio of hospitality assets in India, which have a combined value of almost US\$2 billion. These acquisitions will further boost Brookfield Property's book value, funds from operations (FFO), and earnings, which will ultimately propel its market value higher.

The partnership's distribution, yielding a very juicy 6.7%, is sustainable when it is considered that it has a payout ratio of 97% of trailing 12-month FFO. That ratio will fall to a more sustainable level, as

Brookfield Property's FFO grows because of recent property acquisitions.

While these are all very attractive reasons to buy Brookfield Property, it is the fact that it is trading at a deep 39% discount to its net asset value (NAV) of US\$27 per unit. That underscores the considerable upside available, making now the time to buy.

Improving outlook

One REIT that has fallen on hard times is **Slate Office REIT** (TSX:SOT.UN). It lost 1% over the course of 2019 and slashed its distribution by a whopping 47%, which, on face value, makes it an unappealing investment. Nonetheless, management recognized the REIT's weaknesses and elected to [implement a strategy](#) aimed at turning the business around and maximizing value for unitholders.

During the third quarter 2019, Slate Office completed almost \$80 million of asset sales with the proceeds to be predominantly used to repay debt, strengthening Slate Office's balance sheet. In late December 2019, the REIT announced it was selling another property in Toronto for \$63 million with that capital earmarked for opportunistic acquisitions. Slate Office is also redeveloping two properties to boost their value and rent, which will give Slate Office's earnings a lift.

Slate Office is a particularly appealing investment, because it is trading at a whopping 49% discount to its NAV of \$8.86, indicating that there is tremendous upside available. Patient investors will be rewarded by the REIT's regular distribution yielding a very juicy 6.7%, which, after the distribution cut, has a payout ratio of around 62% of adjusted FFO, which is clearly sustainable.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:RPR.UN (Ravelin Properties REIT)

PARTNER-FEEDS

1. Business Insider
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