



This Is the Only REIT I'd Own Today

Description

I recently wrote an article about the positive and negative aspects of REITs at the moment. While I believe there is certainly value in these stocks, there are also many risks. There is always a risk to the distributions and risks to the book values of their underlying properties.

There is only one REIT that I am buying at the moment, and that is **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NASDAQ:BPY). It is not the exception to the rule. Everything I stated in the previous article still holds.

Its book value could collapse, with falling real estate prices and its distribution might not be secure. It is also exposed to the pandemic lockdown since it owns many retail properties.

Why do I prefer this REIT to others?

There are a number of reasons I prefer [Brookfield Property](#) to other REITs. The first and most important one in my mind is its scale. Many Canadian REITs are either solely focused on Canada or have limited exposure to other regions such as the United States or Europe. Canadian-focused REITs, in my mind, are in the most precarious position due to Canada's economic outlook.

Brookfield Property has exposure to Canada, but it is also very international in scope. It holds a much diversified portfolio of businesses, with revenues spread out across the globe. Canada's contribution to annual revenues is actually rather small in the grand scheme of their operations.

Its distribution

While I do believe there could be a weakness in any company's yield during this extremely unusual time in history, I have more faith in Brookfield's distribution. The company aims to increase its dividend by 5-8% annually, which is quite attractive. Currently, the company pays a [distribution yield](#) of about 14%.

The distribution is also paid out in USD, giving Canadian investors a nice bump in their income if the Canadian dollar continues to sink.

Its broad, diversified portfolio

Its global portfolio of businesses is also spread out among many sectors. The largest portion consists of retail properties (43%) followed by office properties (41%). This allocation is also likely largely responsible for the considerable drop in the company's unit price.

The good news is that Brookfield is starting to diversify into other areas, such as multi-family dwellings and storage properties. Currently, all its other properties make up only 16% of its total portfolio, but over time, Brookfield Property is likely to expand that percentage to broaden its asset diversification.

The Foolish takeaway

Brookfield Property is the only REIT I own at the present time. It is certainly not immune from the pandemic and the resulting economic crisis facing investors.

Fortunately, this REIT has a lot going for it. The management team is excellent at finding deals and capitalizing on them and is highly diversified across geographies and sectors.

The yield is also a great bonus, although at this stage I would not count on the yield of any REIT. This is an undervalued company that should do well over the long term. If you really want to take a chance on a REIT, this is one of the best to own at this level.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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1. Business Insider
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