1 Canadian Real Estate Company to Buy in Today’s Frothy Market

Description

It seems like every article I read about the Canadian real estate market says that it is in trouble. It’s hard not to agree with the data as there is a compelling case to be made that Canada’s real estate market is a ticking time bomb. That said, there is one Canadian real estate company that has really attracted my attention and that’s **Brookfield Property Partners** (TSX: BPY.UN)(NYSE: BPY).

A closer look at Brookfield Property Partners
Brookfield Property Partners is technically a Bermuda-based, publicly traded partnership. However, it is managed by Canada’s **Brookfield Asset Management** (TSX: BAM.A)(NYSE: BAM). Further, currently about 5% of its portfolio is invested in Canada. While that might not make it an entirely Canadian real estate company, the fact that it is so diversified away from Canada’s problems is actually why I like the company so much.

Overall geographic diversification, combined with a diverse portfolio of property assets, really sets Brookfield Property Partners apart from other real estate investments.This global property owner is really a global real estate play.

The core of its portfolio consists of 163 office properties around the globe, including a 51% stake in **Brookfield Office Properties** (TSX: BPO)(NYSE: BPO) that it’s looking to fully acquire. In addition, it owns an interest in 163 global retail properties, including a 32% stake in America’s second largest mall owner, **General Growth Properties** (NYSE: GGP). Combining these large holdings with a growing base of industrial, multifamily and hospitalities properties all under one roof, Brookfield Property Partners is the perfect way to invest in real estate around the globe without taking the added risk that comes with a more focused real estate investment.

Value in a frothy marketplace
While Canada’s real estate market looks to be wildly overvalued, Brookfield Property Partners is selling for as much as 20% less than its net asset value. One of the reasons for that is the current uncertainty regarding the closing of the Brookfield Office Properties deal, as well as the fact that Brookfield Property Partners is still a fairly new public company that’s still 89% owned by Brookfield Asset Management. Once the Brookfield Office Properties deal closes, it will end the uncertainty while also

increasing the public ownership of Brookfield Property Partners.

Where things really get exciting is that Brookfield Property Partners expects that it will be able to organically grow its value by 20% each year through 2018. There are four factors that will lead to this growth. First, the discount to net asset value should reduce over time, on top of that the company pays investors a 5% annual distribution, further Brookfield sees 7% annual net operating income growth along with 3% annual growth from redevelopment.

Add it all up and these factors should lead to 20% annual growth in the company's unit price without factoring in any upside from new investments. That's a pretty compelling return for a company that has ample upside on new investments.

Foolish bottom line
I think Brookfield Property Partners is a pretty compelling buy given that it's selling for a 20% discount to net asset value. So, not only can investors can lock in a more than 5% distribution, but they'll see additional upside as Brookfield grows organically and externally. Add it all up and Brookfield Property Partners is a great way to stay out of the frothy Canadian real estate market, yet still invest in real estate.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

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