



## Could Brookfield Property Partners LP Really Be Worth \$46 Per Share?

### Description

Sometimes the market offers investors a gift, and that appears to be what it's doing with **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NYSE:BPY). The company not only believes that it's currently selling at a significant discount to the value of its assets, but that the value of those assets will rise significantly over the next few years due to visible growth opportunities within its portfolio.

In fact, the company believes its unit price could be worth upwards of \$46 per unit in a couple of years, without any new acquisitions.

### A steep discount to its current value

At the moment, Brookfield Property owns \$62.4 billion in real estate assets around the globe. These assets include \$41 billion of premier office properties in cities like New York, London, Toronto, and Sydney. The company also owns \$17 billion of some of the best-in-market malls in the United States.

In addition to that it owns \$5 billion in a variety of other real estate assets, including 27,000 multifamily units, 164 industrial assets, 11 hotels, and 300 automotive dealership properties.

In total, Brookfield's equity in these assets is \$21.5 billion, which equates to about \$30.19 per unit. However, even after adjusting for the difference between equity value and IFRS value, the company's net asset value is \$28 per unit. In other words, the company's current unit price of \$22.50 suggests that it is trading at a very steep discount to the value of the assets it owns. That alone would be reason enough to buy, but, as they say, there's more to this story.

### Built-in growth, literally

That other side of the Brookfield Property story is the built-in growth embattled within its portfolio of assets. The company believes in working to enhance its leases to significantly grow its bottom line, either through signing new leases to market prices when they expire, or leasing out unleased space.

Further, it has a number of redevelopment and development projects in the pipeline that will also bolster its income stream. In fact, it pegs the value of this opportunity at \$1 billion in annualized net

operating income, and therefore sees the potential to boost its net operating income from \$2.45 billion to \$3.57 billion over the next few years. That works out to roughly 8-11% per year of growth in its funds from operations. That growth should boost the value of the company's assets over time to upwards of \$46 per unit.

About half of the company's built-in organic growth is expected to come from development and redevelopment initiatives that are underway. In fact, the company is currently spending \$1.3 billion in redevelopment projects, including, for example, 5 Manhattan West. Brookfield Property is investing \$312 million to upgrade that building and it expects those upgrades to lead to higher leases.

When all is said and done, Brookfield Property expects that 5 Manhattan West's annual net operating income will increase by \$56 million as a result of the redevelopment.

In addition to that, the company is spending upwards of \$8.6 billion on development projects across its portfolio. These include office properties in key markets like New York, London and Brazil, as well as apartments and condos in both the U.K. and United States. These projects are expected to deliver strong income growth once the properties are complete.

What's also worth noting is the fact that this is all organic growth. Brookfield Property has the potential to deliver even stronger future growth via acquisitions, which have always been a key value creator for the company. In other words, that \$46 per unit value might be conservative if it can make a couple of solid portfolio acquisitions over the next few years.

### **Investor takeaway**

Brookfield Property Partners believes that the market is currently undervaluing its assets by as much as \$6 per unit, or roughly 25%. Further, the market also isn't giving the company any credit for its organic growth potential, which it sees as being substantial.

Add it all up, and investors buying Brookfield Property Partners today could make a lot of money in the years ahead just from capital appreciation. That potential, when combined with the company's generous 4.7% distribution, is a really compelling proposition.

### **CATEGORY**

1. Dividend Stocks
2. Investing

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### **Date**

2025/08/24

### **Date Created**

2015/10/16

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