



Brookfield Property Partners LP's Real Estate Bets Are Paying Off

Description

With global interest rates continuing to fall, investors are scrambling for yield. That has many turning to real estate for income, which is boosting property values to nosebleed territories in some parts of the world. It's a situation that leading commercial real estate company **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NYSE:BPY) is taking advantage of by cashing in on some of its properties at high valuations, so it can reinvest that money into real estate that no one else is buying right now.

The US\$1 billion windfall

At the moment, stabilized real estate properties (those that are fully leased) are selling for a premium because investors crave the cash flowing from these assets. Brookfield Property was able to sell stakes in several of its stabilized assets at very attractive valuations last quarter, generating US\$1 billion in capital that it can redeploy in other opportunities. These sales ran the gamut from an office building in New York City to a mall in Las Vegas to a mixed-use property in Berlin.

What's worth noting is that for the most part the company didn't sell these properties outright and instead only sold partial stakes. This allowed it to cash in on the currently active market for stabilized properties while continuing to capture a portion of the cash flow from these assets for years to come.

With last quarter's property sales, Brookfield Property has now sold US\$1.5 billion in properties this year, putting it right in the middle of its target to sell between US\$1 billion and US\$2 billion of assets this year. That gives it a big pool of capital to reinvest in properties that investors are overlooking right now.

Buying the next windfall

While investors are paying a premium to buy stabilized properties in top-tier cities, there are still values to be found if one knows where to look. Few companies are as adept as Brookfield Property at finding these values. During the quarter it did just that by investing in several real estate properties.

For example, in the company's core office portfolio, it acquired an interest in a development project in Washington D.C. That is noteworthy because the D.C. property is not generating cash flow right now

and is only 70% pre-let. In a sense, Brookfield Property is trading the security of cash flow today for a potentially higher future reward when that project stabilizes.

Meanwhile, the company continues to make opportunistic investments in non-traditional properties that have the potential to generate outsized returns. For example, during the quarter the company acquired an interest in 33 self-storage properties and 135 manufactured housing communities in the U.S. as well as a stake in a portfolio of 5,600 student-housing properties in the U.K. Brookfield Property sees these properties generating strong long-term returns both from recurring cash flow as well as from the potential appreciation of these investments.

Investor takeaway

Brookfield Property is one of the smartest real estate companies in the business. That is why it is currently in the process of cashing in on its more valuable properties to reinvest that capital into properties that have the potential to create even more value in the future. It's a formula that has the potential to pay big dividends for investors in the future.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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

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