



This Real Estate Behemoth Remains Attractive

Description

Brookfield Property Partners LP ([TSX:BPY.UN](https://www.bny.com/en/real-estate/brookfield-property-partners-lp))(NYSE:BPY) was spun off from **Brookfield Asset Management Inc.** in 2013. Brookfield Asset Management still owns about 62% of Brookfield Property. Other than earning management fees, Brookfield Asset Management also earns a juicy 5% yield from Brookfield Property.

Brookfield Property's unit price hasn't moved much from when it first traded as its own entity. But the company has taken great strides since then.

Since the spinoff...

Here are some of Brookfield Property's most notable accomplishments since 2013.

It acquired US\$5 billion of Brookfield Office Properties, brought its interest of **General Growth Properties** to 34%, and increased its interest in Canary Wharf to 50%. Brookfield Property's office portfolio primarily consists of Canary Wharf in London and the portfolio from Brookfield Office Properties. Its retail portfolio mostly comes from its interest in General Growth Properties.

Together, its core office and retail portfolio make up 80% of the company's assets.

Brookfield Property has also taken opportunities to recycle capital out of mature assets and invested in higher-yielding but quality assets. Since 2013 it has recycled US\$5 billion.

Quality portfolio

Brookfield Property's core office portfolio consists of iconic properties in outstanding locations around the world. This portfolio has about 149 properties totaling 101 million square feet across six countries in 18 cities, such as Toronto, New York, London, Berlin, Sydney, and Perth. The occupancy rate for this portfolio remains high at 92% with an average lease term of 8.3 years.

The company's core retail portfolio spans across 128 assets, totaling 125 million square feet in the United States. These include 100 of the top 500 malls in the U.S. So, it's only logical that this portfolio

has maintained high occupancies of 94-96% since 2014.

Brookfield Property has 20% of its balance sheet in opportunistic investments. For example, they include 35,000 multifamily units in the U.S., 18,400 hotel rooms throughout the U.S., Europe, and Australia, over 300 triple net lease properties throughout the U.S., over 150 self-storage assets in the U.S., and 13 student-housing properties in the United Kingdom.

Distribution and returns

Brookfield Property's diversified portfolio generates stable cash flows to support its 5% yield. Management is confident it can achieve distribution per unit increases of 5-8% per year.

The company's core office and retail assets provide stable cash flows and steady price appreciation with expected total returns of 10-12%. This is complemented by its opportunistic portfolio that targets higher returns of 18-20%. Average it out, and management expects a return on equity of 12-15%.

Why should you be excited?

The spin-off of Brookfield Property was one of the best things that could happen to retail investors, as they can own a piece of one of the most well-managed commercial real estate empires in the world.

Not only does management target returns of 12-15%, but an investor can expect more from an investment today. The reason is simple. The units are about 25% discounted from its IFRS value per unit.

Long-term investors can pretty much expect annualized returns of at least 13% based on the current yield of 5% and management's forecasted funds from operations growth of 8-11% per year. That is, the 13% return hasn't accounted for the discount investors can get today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Date

2025/08/14

Date Created

2016/10/13

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