Brookfield Property Partners LP: The Near-Perfect Real Estate and Dividend Stock

Description

With uncertainty about interest rates, investors that are either holding or looking to acquire shares of real estate companies are questioning if that's a good decision. **Brookfield Property Partners LP** (TSX:BPY.UN)(NYSE:BPY) is no exception. Fortunately, I don't believe there is any problem with Brookfield Property Partners and, quite frankly, I believe this is a great time to acquire shares.

Brookfield Property Partners launched in 2013 as a spin-off from its parent company, **Brookfield Asset Management Inc.** It invests in a wide variety of real estate including commercial, self-storage, retail, residential, industrial, and student-housing in the United States, Australia, Brazil, Canada, China, India, and the United Kingdom.

All told, its portfolio is quite expansive. It has 149 core office properties in key cities around the world; it owns 34% of **General Growth Properties Inc.**, which provides retail exposure to the tune of 125 million square feet of space in the United States. It has over 46 million square feet of industrial space across 185 properties. There are over 160 self-storage properties with approximately 13 million square feet and student-housing properties with over 5,800 beds in the United Kingdom.

Brookfield looks at its property in another way: core and opportunistic investments. The core property is, as the name suggests, the bulk of what Brookfield owns. This is mostly retail and commercial space and accounts for 83%. Management looks for core holdings to grow by 12-15% for investors.

The opportunistic portfolio is comprised of basically everything else, which management believes can experience growth of over 20% for investors.

Another thing I like about Brookfield Property Partners is that it's not just a buyer. While collecting rent is a great business, sometimes the value of the property becomes even greater than what the rent cheques are worth; therefore, selling is in its best interest.

Brookfield Property Partners has sold over US$2 billion worth of mature assets in 2016, which it is then able to reinvest back into other properties. For example, in the third quarter, it sold One Shelley Street in Sydney, Australia, for US$525 million. This generated net proceeds of AUD$250 million. It then acquired 3 Spring Street in Sydney for AUD$74 million.

What’s even better is that the company is trading at a significant discount because of uncertainty about interest rates. According to an investor meeting back in September, using international financial reporting standards (IFRS), the value per share of Brookfield Property Partners is US$30. With shares only trading at US$21.57 ($29.21), you’re looking at a discount of just about 28%, which is really appealing.

And finally, the company pays an immensely generous dividend. It pays US$0.28 per quarter in dividend, which when converted to Canadian dollars, is $0.38. Therefore, by purchasing shares, you’re effectively getting a yield of 5.19%, which is incredible.

Here’s how you play Brookfield Property Partners: buying now at such a discount is an absolute no-brainer. If the markets remain fearful of interest rates, you’ll continue to make a killing on dividends. And in the event that the markets start to value Brookfield Property Partners closer to the US$30 per share, then you should experience significant return on investment. Either way, you’ll make money.

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