



Brookfield Property Partners LP: Trading at a Discount of +28%

Description

Companies that are trading at serious discounts to their value are always worth considering. And companies that pay lucrative dividends while also trading at incredible values are opportunities that shouldn't be missed. **Brookfield Property Partners LP** ([TSX:BPY.UN](https://www.bny.com/en/real-estate/brookfield-property-partners-lp))(NYSE:BPY) stock is currently trading at a discount of a little more than 28% and also pays a 5.161% yield.

Brookfield Property Partners is the real estate spinoff from **Brookfield Asset Management Inc.** It was spun off in 2013 and since then, it has expanded aggressively with commercial, self-storage, residential, retail, industrial, and student housing in the United Kingdom, the United States, Australia, Brazil, Canada, China, and India.

Its portfolio is comprised of 149 core office properties, 46 million square feet of industrial space across 85 properties, 160 self-storage properties with over 13 million square feet, and 5,800 beds of student housing. It also owns 34% of **General Growth Properties Inc.**, a retail operation with 125 million square feet in the United States. Its core investments, which account for 83% of its portfolio, are expected to grow by 12-15% per year for investors. And its opportunist fund is expected to generate growth of over 20%.

There are two ways that Brookfield generates cash.

The first is through rent. For example, in December alone, Brookfield announced that the NHL would be locating its headquarters at one of its New York properties, and that National Australia Bank would be the anchor tenant at its Wynyard Place property in Sydney, Australia. These multi-year terms allow the company to generate lucrative and consistent income.

The other way that Brookfield generates cash is through the sale of its properties. Like stocks, it is oftentimes very important to analyze if the value of the property has grown too much that a sale is worth more than the rent. For example, in the third quarter, Brookfield sold its interest in multiple retail locations throughout the United States. With its diluted interest, it generated net proceeds of US\$278 million. It also sold 31 multi-family assets, which it had acquired four years ago, for net proceeds of US\$236 million, or a 27% IRR.

Other examples include the 49% of One New York Plaza that it sold to China Investment Corporation for US\$683.5 million and a further 15% that it sold to AEW Capital Management in December for US\$223.2 million. The company is then able to use that money to increase dividends, buy back shares, or purchase new properties that it views to be undervalued.

On to the topic of the discount.

According to management, the net asset value is approximately US\$31 a share (CAD\$40.84). When compared to the US\$29.04 the stock is trading at, it's easy to see how there is a 28% discount. Further, management has been buying shares back, starting in the third quarter of 2015. Thus far, management has repurchased 2.8 billion units. If investors won't buy the shares, management will.

I'm quite bullish on Brookfield Property Partners and believe it is an incredible opportunity for investors. With its US\$0.28 per quarter dividend (CAD\$0.38), there's a great opportunity to reinvest the dividends into an ever-growing holding of stock.

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