Want a Real Estate Empire? Start with Brookfield Property Partners LP

Description

I'd be lying if I said I didn't wish I owned a vast portfolio of real estate. Honestly, I'd be lying if I said I didn't wish I owned *one* income property. But collecting the down payment required for this sort of an investment is difficult and time-consuming, not to mention the illiquid nature of owning property compared to other investments. Because of this, one of the simplest and most efficient ways to begin building your real estate empire is to actually entrust another entity to build it for you: **Brookfield Property Partners LP** (TSX:BPY.UN)(NYSE:BPY).

Brookfield Property already has a real estate empire, with a core office portfolio consisting of 142 locations with 99 million square feet. Its core retail holdings consist of a 24% fully diluted interest in **GPP Inc.**, which has 127 retail properties totally 125 million square feet throughout the United States. This core portfolio accounts for 80% of the business and it has an additional 11 million square feet of core office and multifamily projects under development.

The other 20% of its portfolio is comprised of what it calls its opportunistic properties. They come with higher risk, but the returns are potentially very lucrative. This consists of multifamily units, hospitality properties (hotels), industrial assets, triple net lease units, student housing, and self-storage. Essentially, any other type of real estate that might exist, Brookfield has its hand on it.

Between the two portfolios, management expects significant growth. On its core holdings side, the expectation is 10% to 12% in total returns. On the opportunistic side, the expectations are 20%. Compare this to any good investment portfolio: we have the core holdings, which in stock language include blue chips and dividends, and then we have the opportunistic holdings, which include companies like early, microcap biotechs (for example). Some might fail, others will become multi-baggers.

Brookfield generates those kinds of returns two ways. The first is obvious: rent. The second is through the sale of its properties. When you buy a property, you hope to get it for cheap; however, sometimes, the market overvalues the property you own, so it's better to sell it rather than waiting for the monthly rents. One example is the 16% in One New York Plaza that it sold, generating net proceeds of US$75 million. It also sold Moor Place in London for £271 million, which generated net proceeds of £130 million. It can then turn around and buy up other properties with these proceeds, allowing the business to continue growing.

So, how are things going for Brookfield? In total, the company had funds from operations of US$967 million for 2016, which is up from US$839 million in 2015. Its core office holdings saw a US$160 million boost to FFO. And its opportunistic funds from operations saw a US$96 million boost to FFO compared to the previous year. Clearly, the business is doing well.

Here’s what you need to know …

Brookfield Property focuses entirely on real estate and has already built an empire. It pays a comfortable 4.03% yield, which is good for US0.295 per quarter. Even better, management is projecting annual 5-8% increases to the dividend, so you can feel comfortable knowing that your empire is going to add increasing amounts of cash to your bank account. And finally, because the IFRS book value was $41.69 as of March 31, every time you buy a share for less than that, you’re essentially getting free real estate. At some point, investors will understand the potential for this company and your returns will show it.

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

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