



Build a Global Real Estate Empire With 1 Stock Purchase

Description

When we think about investing in real estate, there are two ways to do it. The first is the do-it-yourself model, where you buy properties. This can be incredibly lucrative, but it can also be a difficult business. The second is to invest in a real estate company that specializes in acquiring high-quality properties.

The first way is more fun, but the second is safer. And when it comes down to it, the easiest way to build a global real estate empire is to buy **Brookfield Property Partners LP** ([TSX:BPY.UN](https://www.brookfieldproperty.com/real-estate/real-estate-trusts/bpy/))(NYSE:BPY). Although it is not technically a real estate investment trust (REIT), this limited partnership is probably the best pure-play real estate stock on the market today.

The business is broken down into three pieces. The first two are the core office and retail operations, which account for about 80% of the business. The other 20% is the opportunistic operation.

The core office portfolio consists of 146 locations with more than one million square feet. Its holdings are in major markets, including New York City, Toronto, Los Angeles, London, and others. More than half of the net operating income for Brookfield Property comes from the core office portfolio and 92% of its portfolio is leased.

The core retail portfolio is through its 34% ownership of **GGP Inc.**, a U.S.-based retail operation. GGP has 127 properties with 125 million square feet through the country. Thanks to a strong occupancy rate over 95%, the net operating income for the retail portfolio is about 25%.

Then there are the opportunistic holdings. These are higher risk, but they provide larger growth than the core holdings can. They include a portfolio of multifamily units, hospitality properties, industrial assets, triple net lease units, self-storage, and student housing. Like I said, this smaller portfolio accounts for 20% of its earnings, but the growth is the real play here.

This global real estate empire results in a strong 5% yield paid to investors — good for US\$1.18 per year. It distributes about 80% of its funds from operations, which is a strong, but secure position. And, even better, the dividend continues to increase — management has already done it this year, in 2016, and in 2015.

But here's where things get interesting...

As of Q1 2017, the company's IFRS was approximately \$39 per share. However, the stock is only trading around \$30. That means if you were to buy the stock, you'd be getting shares at a serious discount to the value of the real estate. More specifically, you're getting \$9 in free real estate for every share you buy.

There are a few ways management is looking to rectify this discount. The first is by buying back shares. In Q1, management bought back 4.4 million shares. I expect this to continue. The second way is to convert to a U.S. REIT structure. Right now, Brookfield is a limited partnership, which means REIT index funds can't invest in it. If it were to convert to a REIT structure, those index funds would be able to invest. Management said on the recent conference call, "we are actively considering conversion of BPY's structure to a U.S. REIT." Whether or not it happens remains to be seen.

Ultimately, here's what you're buying: a global real estate empire that trades at a serious discount to its total value. Further, you're earning 5% in income. And finally, you don't have to worry about tenants, because the experts are handling everything.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/01

Date Created

2017/08/16

Author

jaycodon

default watermark