



## Why Brookfield Property Partners LP Is Near its 52-Week Low

### Description

**Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NYSE:BPY) has been trading in a sideways channel since 2015. And it's currently trading near the bottom of that channel, which is also close to its 52-week low.

The stock has declined about 10% from its recent high, because the company proposed to buy the rest of **GGP Inc.** (NYSE:GGP). Brookfield Property and its affiliates already own about 34% of GGP.

As a [value investor](#), it makes sense for Brookfield Property to buy more (the entirety in this case) of GGP when the retail real estate investment trust (REIT) is trading at the lowest valuation level we've seen since 2011.

### Is Brookfield Property paying too much for GGP?

It doesn't seem like it's a good deal for Brookfield Property, because the company is offering a 21% premium to the recent GGP trading price. Some investors may worry that Brookfield Property is paying too much for GGP.

However, based on the premium price of US\$23 per GGP share that Brookfield Property plans to pay, that implies a multiple of under 15, while GGP normally trades at a premium multiple of closer to 18 — well, it did before this whole idea of "[death to brick and mortar](#)" came about. Brookfield Property believes in the long-term staying power of GGP's assets, and now is a good time to buy the REIT while its stock has been dropping like a rock.

GGP's shares closed about 2.8% higher than Brookfield Property's proposed price on Friday, which suggests that the market thinks Brookfield Property might have to raise its offering price to get GGP's shareholder approval to acquire GGP.



### Will the acquisition cause dilution?

Other than getting US\$23 per unit in cash, Brookfield Property also gave GGP shareholders the option to convert their shares to Brookfield Property units — specifically, one GGP share for 0.9556 Brookfield Property units. At most, 50% of the offer will be paid in cash, or US\$7.4 billion paid in Brookfield Property units.

Management thinks the acquisition will be “immediately accretive to Brookfield Property’s funds from operations per unit,” but there’s always the probability that things won’t go as management plans. And if so, there could be dilution. Occasionally, the company buys back stock when the stock is too undervalued.

### Investor takeaway

Brookfield Property’s stock has declined meaningfully recently due largely to its proposal to buy out GGP, a retail REIT.

Brookfield Property owns a core portfolio of quality office and retail properties to generate stable cash flows. Further, it has opportunistic investments in the sectors of multifamily, industrial, hospitality, triple net lease, self-storage, student housing, and manufactured housing for even higher returns.

Brookfield Property is an excellent way to gain exposure to the commercial real estate sector for a long-term portfolio. After the dip, the company offers a compelling yield of ~5.4% with dividend-growth potential of 5-8% per year.

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kayng

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