Brookfield Property Partners LP Is About to Get a Whole Lot Bigger

Description

Brookfield Property Partners LP (TSX:BPY.UN)(NYSE:BPY) announced November 13 that it's made a non-binding proposal to acquire the remaining 66% of mall owner **GGP Inc.** (NYSE:GGP) that it doesn't already own.

Offering $23 per share to GGP shareholders who can elect to receive cash or 0.97656 of a limited partnership unit of BPY.UN. The deal, which is valued at US$14.8 billion, will be paid for with 50% in cash and 50% in stock.

Should the acquisition be successful, Brookfield Property Partners would have almost US$100 billion in quality real estate assets and annual net operating income of approximately US$5 billion. Brookfield Property Partners shareholders will own 70% of the company, and GGP will own the rest.

Is it better?

Brookfield Property Partners is about to get a whole lot bigger, but does that make it better? If you know something about the Brookfield investment philosophy, you'll answer this question with a resounding "yes."

If you thought brick-and-mortar retail was going the way of the dodo bird, think again. This just reaffirms the fact that people aren't going to stop going to the malls just because **Amazon.com, Inc.** has built a massive e-commerce business.

On the contrary, Brookfield Property Partners is doubling down on the mall, and long term I'm confident that this will deliver huge returns for its shareholders.

"GGP is not a bunch of third-tier malls that are getting destroyed by the internet. The malls are evolving, but they're absolutely not disappearing," said Mark Rothschild, real estate analyst with Canaccord Genuity. "There are malls that no matter what happens online, that real estate is still worth a lot of money and people will go to."

People still want to get out

Probably the best example of why that's true is to go to Cadillac Fairview's Shops at Don Mills in Toronto. Despite the apparel retailers in the mall doing "just" okay, the place is always packed on the weekends, because families and friends go there to relax and enjoy themselves.

We might be over-retailed when it comes to apparel companies, but people still want to have fun. Brookfield Property Partners knows this first hand by owning a minority interest in GGP since it came out of bankruptcy in 2010.

Good malls don't go out of style.

"We continue to acquire big-box anchor spaces in our malls and reposition them," Brookfield Property Partners CEO Brian Kingston wrote in his letter to unitholders, prior to the deal. "We can earn excellent returns doing this and it is one of the best opportunities in U.S. retail today."

Bottom line on Brookfield Property Partners's offer for rest of GGP

On November 1, I wrote about Brookfield Property Partners selling some of its office properties — getting top dollar in the process — to invest in other areas where returns figure to be higher. All the publicly traded Brookfield companies, including parent **Brookfield Asset Management Inc.**, recycle capital to deliver for shareholders.

Fellow Fool contributor Jacob Donnelly discussed in late October how the company buys undervalued assets, generates income from those assets, and then sells them when they've become overvalued.

It's not nearly as easy as it sounds. It takes patience and discipline — two things most investors don't have.

Bigger, in the case of Brookfield Property Partners, is better in my estimation.

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