



## Brookfield Property Partners L.P. Strikes a Deal With GGP Inc.

### Description

On Monday, **Brookfield Property Partners L.P.** ([TSX:BPY.UN](#))(NASDAQ:BPY) finally reached an agreement to acquire the remaining shares of **GGP Inc.** (NYSE:GGP), of which it had already owned a 34% interest. Initially, the market reacted negatively to the news, but by the end of the trading day on Tuesday, most of the losses recovered. This means that now could be a great long-term entry point in Brookfield Property.

### GGP shareholders' options

GGP shareholders can get US\$23.50 per GGP share or exchange their GGP shares for Brookfield Property units or BPY U.S. REIT units on a one-for-one basis. The BPY U.S. REIT will be a newly created REIT, which will have the same distribution as Brookfield Property.

The reason for the new REIT is that GGP shareholders might want to continue holding a REIT for income, since the distributions from a REIT are taxed differently from a limited partnership. This deal is also good for GGP shareholders who choose to hold on to BPY or BPY U.S. REIT units in the sense that Brookfield Property is much more diversified than GGP.

Moreover, Brookfield Property offers a distribution that is 43% higher than GGP's. So, GGP shareholders who are exchanging their shares for BPY or BPY U.S. REIT shares will get a significant income boost.



### It's a good time to buy GGP

It's a good time for Brookfield Property to buy GGP because [retail REITs](#) have been so unloved lately. It is such times that Brookfield Property can get a good price on GGP. GGP's normal multiple is 17.6. The US\$23.50 per unit cash offer represents a multiple of 15.

It's not like GGP shareholders are getting a bad deal, because retail REITs are trading at discounted multiples in the current environment. So, Brookfield Property is paying a premium to the market price.

### Closing conditions

If all goes well, including getting the approval from GGP shareholders, the transaction is expected to close in Q3. The approval from GGP shareholders as quoted from the press release is as follows: "(1) GGP shareholders representing at least two-thirds of the outstanding GGP common stock and (2) GGP shareholders representing a majority of the outstanding GGP common stock not owned by BPY and its affiliates."

### Investor takeaway

Brookfield Property is trading at the low end of its trading range. Now is [a great time for long-term investors to buy](#) the stock for income, as it expects the GGP acquisition to be immediately accretive to its funds from operations per unit once it acquires GGP. Brookfield Property currently offers a hard-to-beat yield of ~6.5%.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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

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