My Top Stock for 2019 Is Still a Screaming Buy

Description

Back in January, I chose **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) as my top stock of 2019.

It's been a stellar performer, with shares up more than 22% thus far in 2019. Investors have also received dividends, which pushes the total return even higher. Sure, there are stocks that have increased more since January, but I'll gladly take that in just a few months.

Even after such a big move, shares are still significantly undervalued. Here's why I think investors who get in today will still enjoy great total returns over the long term.

Undervalued assets

Brookfield Property Partners owns some of the world's top real estate.

Assets include high-rise towers like First Canadian Place in Toronto, Potsdamer Platz in Berlin, Canary Wharf in London, and Brookfield Place in New York. The company also recently acquired approximately 100 of the United States's top shopping malls in a 2018 buying spree. And it has a distressed asset division that buys unloved real estate at less than replacement value.

Together, Brookfield owns approximately US$107 billion worth of real estate. This makes it one of the largest landlords in the world.

Brookfield is a worldwide player. It owns property in North America, South America, Europe, Asia, and Australia. When you're active in all these markets, you're bound to find some bargains somewhere. This bodes well for future growth. And Brookfield Property Partners has a solid development pipeline, totaling nearly six million square feet of gross leasable area under construction that is slated to be completed in 2019.

Management is convinced shares are undervalued, and the company is taking steps to combat the gap between the current share price of US$19.94 and management's opinion of fair value, which is US$30 per share. So, even though this gap has decreased since I covered the company in January, there's still 66% upside potential.

The company bought back more than US$400 million worth of shares back in March, with share buybacks continuing through April, and the company's parent **Brookfield Asset Management** also increased its ownership stake back in November, gobbling up what it viewed as undervalued shares. The folks who run Brookfield Asset Management are widely regarded as excellent investors, so it's a big vote of confidence to have the parent buy more shares.

Paid to wait

I'm content to patiently hold my Brookfield Property Partners shares for the long term because the company pays a fantastic dividend while shares slowly appreciate up to fair value.

The current payout is US$0.33 per quarter per share, which works out to a 6.6% yield. It's easy to be patient when you're collecting such a sweet yield.

But there's more. The company is committed to delivering dividend growth to shareholders. It has increased its dividend each year since 2014, with a 4.8% raise delivered to investors in early 2019. Investors should be able to count on distribution increases of 5-8% every year, as the company slowly expands and raises rent to existing tenants.

The bottom line

I firmly believe investors should own the best assets possible. Brookfield Property Partners delivers on this front; the REIT owns some of the world's best properties. Its portfolio is stuffed with high-quality buildings located in desirable parts of the world's top cities.

Investors are getting all this at a significant discount to fair value, and they're getting paid a generous distribution while they wait for that gap to close.

It all adds up to the company's shares being a no-brainer investment today. Even after increasing 22% so far in 2019.

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