



Brookfield Property Partners (TSX:BPY.UN): Supercharge Your TFSA Returns With This Dividend All-Star Stock

Description

Smart investors tend to look for signals that a company has positive long-term momentum and is bullish on its own prospects. There are two important signals that every investor should pay attention to.

The first signal is good, old-fashioned, steady earnings growth. There is simply no substitute for growing earnings because that is highly correlated to cash flows, which in turn drives growth.

Investing in this type of company is also very attractive to institutional investors who are in it for the long haul, giving the share price long-term stability. This makes a company like this an ideal investment for retail investors who cannot deal with stomach-churning volatility.

The second signal is company share buybacks. In simple terms, if a company uses its cash to repurchase its own shares from the market at the prevailing market price, it believes that to be a good use of corporate capital, as the shares may be undervalued.

The stock and the play

Enter **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY), one of the largest global real estate investors. Brookfield Property Partners has a global portfolio of office, retail, multifamily, logistics, hospitality, self-storage, and student housing assets on five continents.

This geographic as well as asset-class diversification is not by accident. Rather, it is deeply aligned to the company's stated philosophy of [generating stable and growing distributions](#) for investors while protecting them against downside risk.

Continued solid earnings momentum

During the second quarter of 2019, the company earned funds from operations (FFO) and realized gains of US\$362 million compared with US\$250 million for the same period in 2018 — an increase of

45%.

This increase was primarily driven by higher earnings from Investments and higher fees earned in its core office business. On a per-unit basis, the FFO and realized gains for the second quarter were US\$0.38 per share unit versus US\$0.36 per share unit earned in the prior year.

This earnings report was solid, if not spectacular, and signals continued incremental growth. Digging further into the second-quarter earnings should give investors even greater comfort in the company's ability to grow.

One of the company's core principles is disciplined recycling of assets at good returns so that capital can be reinvested in new projects that offer even better long-term prospects.

To that end, the company completed asset sales totaling US\$1.3 billion at a significant gain in the second quarter and is on track to achieve its stated goal of up to US\$2 billion in asset recycling.

What does the company do with the capital recycled through asset sales?

Typically, real estate companies make money by selling assets at high valuations and reinvesting proceeds in new and more compelling opportunities. However, in some cases, the best investment opportunities are lurking in a company's own backyard.

I am referring to repurchasing its own shares, if it believes that the share price is at a discount to its fair value. This is typically an ultra-bullish signal to investors to jump in with two feet with confidence.

Brookfield Property Partners has consistently repurchased its own share units in the open market and has repeatedly told investors that it believes that to be a fantastic use of corporate capital. In fact, Brian Kingston, the CEO of Brookfield Property Partners, reiterated this point to Bay Street and Wall Street analysts as part of the second-quarter earnings call in August.

In an answer to a direct question regarding his views on share unit repurchases, Brian reiterated that repurchasing the company's shares was the best investment opportunity available currently. He also signaled that the company intends to continue to be active on this front.

For smart investors who are willing to do a little homework and get informed, these types of signals are not to be ignored. Investing alongside the company is a very good way to build wealth.

The final verdict

Brookfield Property Partners has the capital, the industry know-how, and the global scale to [grow earnings and cash flow safely](#) for decades to come.

With the share unit price hovering around \$25 a share at the time of writing, Brookfield Property Partners is trading below its net asset value and represents an extremely compelling proposition for smart TFSA investors who are focused on retiring wealthy.

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Date

2025/08/23

Date Created

2019/09/06

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