



Revealed: This Top Stock Is 35% Undervalued

Description

Brookfield Asset Management has quickly become an investor favourite, as the institutional money manager gains a reputation of being the smartest money on Bay Street. It seems like everything it touches turns to gold.

Led by CEO Bruce Flatt, Brookfield doesn't look like its slowing down any time soon, either. The company — and its subsidiaries that focus on individual parts of the market — continues to take advantage of low interest rates and investor thirst for yield to gobble up assets. In fact, there are certain investors who take positions in stocks solely to speculate these names might be Brookfield's next target.

And yet, despite this reputation, something strange is happening. Brookfield has gone on record to say a certain stock is undervalued, yet this company stubbornly doesn't increase. Brookfield has pounded the table on this for years now, but it hasn't mattered. The discount persists. This doesn't make sense to me. Why is Brookfield suddenly wrong about this stock and right about everything else?

Let's take a closer name at the company in question and outline how you can buy shares for some 35% lower than Brookfield's own estimate of fair value. And as you might expect, Brookfield already owns a whole bunch of it.

Great real estate at a bargain price

Brookfield Property Partners ([TSX:BPY.UN](https://www.brookfieldproperty.com/real-estate/property-partners))(NASDAQ:BPY) owns some of the world's finest real estate in its massive portfolio that encompasses more than 100 million square feet of gross leasable area. Prominent assets include First Canadian Place in Toronto, World Trade Plaza in New York City, and Canary Wharf in London. The company also owns many top shopping malls in the United States and various distressed assets around the world.

Property Partners has posted excellent results since being spun off the parent back in 2013, including regularly growing the portfolio through both raising rents and making acquisitions, and using its development expertise to improve other properties. Cash flow from operations has consistently crept

higher and buildings from the distressed asset portfolio have booked nice gains.

And yet shares continue to trade at a significant discount to fair value.

Just last week, the parent company came out and reminded investors how undervalued Brookfield Property Partners stock is, telling investors the parent sees a 35% discount to fair value. Investors were also reminded about a nice consolation prize for waiting, which is a dividend yield close to 7%. That payout should increase over time, too.

Many top management teams will argue their stock is [undervalued](#), but Brookfield's top brass is taking this confidence a step further. Brookfield Property Partners is buying back stock at an aggressive pace, putting much of its excess cash into repurchasing shares. More than one million shares were retired in October alone, and that was after 750,000 shares were repurchased in September.

The bottom line

Brookfield Property Partners offers a very compelling investment opportunity today. Investors who buy in right now are getting a collection of fine assets at a discounted price ran by a management team that is serious about maximizing shareholder value. Oh, and you'd be paid a 6.9% yield while waiting for the gap between the current price and net asset value to narrow, too.

I previously called Brookfield Property Partners my [top pick for 2019](#), and the stock has delivered nearly a 20% gain thus far this year. I think it could easily do that again next year, if not perform better.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:BPY.UN (Brookfield Property Partners)

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Author

nelsonpsmith

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