# Revealed: My TOP REIT Pick for 2020 Still Has Massive Upside Potential

## Description

Around a year ago, I told readers my top pick for 2019 was a REIT I thought had a ton of upside, **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY).



The choice has worked out pretty well, which has helped my portfolio have a decent year too. Shares are up approximately 10% for the year, and the stock has paid a dividend yield in the 7% range. That works out to a 17% total return, an excellent result.

Unfortunately, it has underperformed the **TSX Composite Index** by a hair, which is up a little over 18% in 2019 at writing. Still, making 17% in a year is a pretty good outcome, and I'll gladly take it.

I have good news for investors who missed out on this opportunity last year. Brookfield Property Partners continues to be insanely cheap today and is poised to have an excellent 2020. Here's why.

## The opportunity

At this point last year, the company was digesting its big acquisition of General Growth Properties — a deal that added some 100 top U.S. shopping malls to the portfolio.

Many U.S. malls are dying, as struggling former anchor tenants pull up and leave. These assets are struggling with declining occupancy, poor locations, and other issues.

Brookfield acquired some of the nation's best malls, the ones with good locations and all the hip stores. It paid a good price for these assets and plans to increase rents by doing renovations and adding other real estate — like condo towers — in select locations.

Meanwhile, the company's core office portfolio continues to churn out excellent results. The focus on owning marquee assets in downtown areas of world-class metros like Toronto, New York, London, and Berlin, is working well.

These buildings spin out plenty of predictable cash flow, and have a greater ability to raise rents going forward because of their A+ locations.

The company also owns a prominent distressed real estate portfolio, assets it picks up at a significant discount to replacement value.

It'll then make moves to increase the value of the building, wait patiently for the market to recover, and then sell into strength. Annual returns of 15% from this part of the portfolio should be possible over the long-term.

Add it all together, and Brookfield is an excellent opportunity. The huge discount to net asset value is just a bonus.

## Upside potential

Brookfield's management — who, let me remind you, are considered some of the smartest real estate people out there — are convinced the net asset value of their real estate portfolio is US$30 per share at writing.

Shares currently trade hands on the NASDAQ for a little over US$18. That's 67% upside potential, right there.



Skeptical investors might discount management's opinion, saying it's just talk. The company has proved the naysayers wrong with an aggressive stock repurchase program that has consistently used spare cash to bu yback shares throughout 2019. From September to November alone, it bought back close to three million shares.

And remember, investors are also treated to a US$1.32 dividend, which works out to a 7.2% yield. That's a nice consolation prize while you wait.

## The bottom line

Even after a relatively good performance in 2019, Brookfield Property Partners should be an excellent performer in 2020. It owns fantastic real estate, is ran by smart people, and has perhaps Canada's best asset manager as its majority shareholder.

I can't guarantee the price-to-net asset value discount will shrink in investors' favour in 2020, but I do know one thing — buying good assets at a discount tends to work out pretty well.

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