Invest $5,000 Into Cheap Real Estate With This TSX Stock

Description

The market crash has provided dozens of opportunities to buy incredible stocks at a steep discount. Virtually no segment of the market escaped unscathed, and property was no exception. It's now possible to buy cheap real estate with as little as $5,000.

In recent weeks, some real estate stocks have fallen by 40% or more. Even high-quality companies chasing decade-plus growth opportunities were hit hard. If you've been waiting to invest money into real estate, this is your chance.

Buy cheap real estate

Perhaps the best stock to capitalize on cheap real estate is **Brookfield Property Partners L.P.** (TSX:BPY.UN)(NASDAQ:BPY). This company has a stellar management team, and a long history of success, even if its stock price hasn't reflected that reality.

Here's what you should know about Brookfield. It's one of the largest real estate operators in the world and owns a broad variety of assets, including office, retail, multifamily, industrial, hospitality, triple net lease, self-storage, student housing, and manufactured housing properties. The real estate is located all around the world, making it a one-stop-shop for diversification.

When the business was first founded, it aimed to long-term returns on equity of 12% to 15%. So far, that hasn't happened. In 2013, shares were priced at $23. Today, they're worth only $14 at writing.

But make no mistake: this company has grown in value over the last seven years. If that's true, why has the stock price fallen? It's all about valuation.

In 2013, Brookfield shares traded at 80% of tangible book value. Today, they trade at roughly 60% book value. At this valuation, if the business was able to sell all of its real estate for its stated worth, shareholders would nearly double their money instantly! Of course, that's a theoretical exercise, but it's a useful metric for gauging how cheap shares really are.

Now is the time

Is Brookfield really worth only 60% of its stated tangible book value? We can garner some clues by analyzing recent transactions.

If the company is monetizing assets *below* book value, we can guess that the balance sheet figures are overly optimistic. If the company is selling assets for *above* their book value, buying the stock for just 60% of that value is a steal.

Last March, Brookfield officially put five multifamily properties in New York City up for sale for $1.5 billion. In 2014, the company paid just $790 million for the assets, putting $80 million into renovations since then.

By July, Brookfield struck a deal with L+M Development Partners and Invesco to sell the properties for $1.2 billion. That was less than it originally sought, but still represented a 17.3% annual return on investment.

Here's another example. In September of 2019, Brookfield completed 1 Manhattan West, a Manhattan office tower. It cost $1.9 billion to build.

By the end of the year, it was already 86% leased, with operating income suggesting a valuation of nearly $2.9 billion. This property is listed on the books at the *original* valuation, meaning the company is sitting on a potential unrealized gain of $1 billion!

If you had the opportunity to buy 1 Manhattan West at book value, you'd do it in a heartbeat. And at just 60% of its stated book value, it's the the steal of the century.

Of course, Brookfield's portfolio is vast, with many projects worth either *more* or *less* than stated book value. But a quick review of the prized assets suggests that the current valuation is a downright steal.

If you want to own cheap real estate, this is your stock.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
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Date
2025/08/22
Date Created
2020/04/19
Author
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