



Brookfield Property Partners L.P. Wins With GGP Inc. Acquisition

Description

When **Brookfield Property Partners L.P.** ([TSX:BPY.UN](https://www.bny.com/en/real-estate/brookfield-property-partners-lp))(NASDAQ:BPY) announced that it had made an offer to acquire the remainder of **General Growth Properties Inc.** (NYSE:GGP), I wasn't optimistic. While I felt the deal would be an incredible opportunity for Brookfield, it seemed that GGP investors were reluctant to go ahead.

Apparently, I was wrong, with GGP [agreeing to terms](#) with Brookfield. Should shareholders agree to the deal, Brookfield would be buying the 66% that it doesn't already own. And frankly, I see little reason why shareholders wouldn't agree.

Terms of the deal

In the event that GGP shareholders do agree, they will receive US\$23.50 per GGP share that they hold. The stock hasn't been too far over \$24 a share for over a year, so this is a decent exit for shareholders. Conversely, they can exchange their GGP shares for Brookfield Property shares or a new BPY U.S. REIT.

Why create a new REIT? As I've said before, Brookfield Property is not technically a REIT. Distributions from REITs are taxed differently than those of a partnership, so GGP investors might want to stick with the REIT.

Another reason why most GGP shareholders are likely to pick Brookfield Property or the Brookfield REIT shares is that the distribution is 43% higher than what investors are used to with GGP. That's a good reason to hold Brookfield.

Isn't retail dying?

Some might question Brookfield's insistence on buying GGP because of the death spiral that so many major retail REITs have been experiencing. However, I'm not that concerned about these worries.

GGP owns what's known as Class A retail locations. These are major destinations with multiple anchor tenants, along with other attractions that are meant to pull customers in even if there is no immediate

need to shop. GGP is not your average retail company with strip malls.

I don't see major malls dying out. They will have to evolve, but people continue to visit these locations, eat the restaurants, visit the attractions, and go shopping.

Should we buy Brookfield?

Yes. If you've read my coverage of Brookfield Property, you know that I'm particularly bullish on this company. It holds a vast portfolio of office properties in major cities worldwide. Now it's bulking up on its core retail investments with the GGP acquisition. It also has its opportunistic fund, which should deliver greater ROI.

Then there's the [recent dividend increase](#). At the close of the quarter, management announced a 7% increase in the yield from US\$0.295 to US\$0.315. Management has set a goal of yearly distribution increases of anywhere from 5% to 9%, so this is right in the middle.

Brookfield Property is a great buy and, thanks to this major acquisition, it's becoming so much larger. I fully expect the dividend to increase again next year, making this a solid pick-up for investors who need additional income in their portfolio.

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

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