



Brookfield Property Partners LP: The Best Way to Invest in Real Estate Today

Description

Every day brings Canadians new headlines about our real estate being expensive, overvalued, in a bubble, etc. But real estate has so many attractive qualities as an investment: steady income, the effect of leverage, and owning a real asset—all while having a low correlation with today's overvalued stock markets. The best way, and one of the cheapest ways, to invest in real estate today is through **Brookfield Property Partners LP** ([TSX:BPY.UN](https://www.brookfieldproperty.com/real-estate/real-estate-trusts/bppy-un/))(NYSE:BPY).

Brookfield Property Partners was spun off from **Brookfield Asset Management Inc.** in 2013 and remains 62% owned by the parent company. Since then, it's been investing in almost every real estate class you can think of: malls, self-storage, student housing, hostels, hotels, residential, industrial, and office.

These investments have been all over the world—Brookfield Property Partners owns hundreds of properties in North and South America, Europe, Asia, and Australia.

This leads me to the first advantage of investing in Brookfield Property Partners rather than Canadian real estate or other REITs.

Diversification

If you buy a home in Canada, you are entirely invested in one market—a market that could be a bubble (you never know it's a bubble until it pops). Those who have invested in houses in Toronto are looking like geniuses right now, but that could change.

Brookfield Property Partners's diversification means it's not over exposed to any one type of real estate or market. If retail does, in fact, die like is being predicted, Brookfield Property Partners owns offices and housing (unlike Canada's largest REIT **RioCan**. If Canada's real estate market collapses country wide, Brookfield Property Partners owns real estate in the U.S., India, Brazil, Australia, London, etc.

There's no other way an investor can buy this much diversification in real estate. And right now, investors are getting that diversification at a great price.

Valuation

When you buy a house, you're—by definition—paying the market price for it. Investing in Brookfield Property Partners, however, allows you to buy real estate at a huge discount. As of March 31, IFRS book value of BPY.UN shares was \$41.69.

By buying shares now, you're buying partial ownership of some of the best real estate in the world, all over the world, at a discount of almost 30%. That's a huge discount for these high-quality assets.

And after buying the assets for a discount, you get another benefit for free...

Management

The management of Brookfield Property Partners has proven to be top notch. Since being spun off, BPY.UN has returned 10.82% annually after reinvesting the dividends—almost 6% better than the TSX.

And management has targeted growing funds from operation by 8-11% in the future. There's no reason to think BPY.UN won't hit its targets, including another target its stated.

Dividend

Shares on the TSX currently yield 5.5% after accounting for the U.S. dollar dividend. Meanwhile, the **iShares S&P TSX Capped REIT Index Fund** (TSE:XRE) yields 4.95%. Management has forecasted growing the dividend 5-8% annually in the future.

True to form, the dividend increased 5.3% in 2017 from US\$0.28 to US\$0.295 quarterly. That growth greatly exceeds inflation for those seeking retirement income.

And if that isn't evidence that Brookfield Property Partners is undervalued, there's more: management is actually buying back shares.

In the first quarter of 2017, Brookfield Property Partners repurchased over 4.4 million shares at an average price of over \$31. I believe management has shown they know how to earn a great return on their investments, so buying back shares shows me that BPY.UN is a great buy.

Anyone thinking about buying real estate in Canada should consider buying BPY.UN instead. Shares are undervalued and pay an attractive dividend. If the market realizes Brookfield Property Partners is the best way to buy real estate, then the price will increase a lot.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)

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Date

2025/08/24

Date Created

2017/05/15

Author

tkirkpatrick

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