



2 Real Estate Stocks for Investors Seeking Value

Description

If you want to own real estate assets, it's becoming increasingly difficult in Canada after a decade-long boom, which has sent prices through the roof in the nation's largest markets — Toronto and Vancouver.

Even if you are able to buy a couple of investment properties, managing your cash flows will be a constant struggle amid rising interest rates, property taxes, and more stringent mortgage rules.

But if you can't buy physical assets, you can still get some exposure to this important segment of our economy by owning shares of real estate income trusts, or REITS. Similarly, buying shares of lenders that provide financing to real estate is another indirect way to invest in this space.

Here are two dividend stocks you can consider to get some exposure to Canada's strong real estate market.

First National Financial Corp. ([TSX:FN](#))

[First National](#) is a monthly dividend stock that's offering value to long-term investors. With more than \$100 billion in mortgages under administration, First National is Canada's largest non-bank originator and underwriter of mortgages.

With a dividend yield of 7%, First National stock pays \$0.154 a share monthly dividend, which comes to \$1.8 on yearly basis. Trading at \$26.32, First National shares have remained under pressure since **Home Capital Group, Inc.** faced liquidity crisis last year, forcing investors to shun Canada's non-bank lenders.

But that was an isolated event and didn't hurt demand for mortgages in Canada. First National targets the strongest segments of the real estate market, which is single-family homes and the commercial market.

With a price-to-earnings ratio of just 7.69, I think First National stock offers a great value to long-term investors. With a compounded annual growth rate of 7.3%, First National's dividend-growth rate is solid and tempting for buy-and-hold investors.

[Choice Properties Real Est Invstmnt Trst \(TSX:CHP.UN\)](#)

Choice is another value play in this sector after the company announced its merger with Canadian REIT in a \$3.9 billion transaction early this year.

This move, subject to the regulatory approvals, will create Canada's largest REIT with more than 750 properties across the country. The new entity will be backed by one of the nation's strongest business groups — the Weston family.

The family controls the **Loblaw** food business and other retail operations, including Shoppers Drug Mart and the Joe Fresh fashion chain, through its holdings in **George Weston Ltd.** After the merger, the combined companies plan to develop about 60 properties for mixed-use development, including 48 from Choice.

Choice shares are showing strength this month after unitholders voted in favour of Choice's takeover offer for Canadian REIT.

Trading at \$11.67 and yielding 6.26%, Choice REIT is a reliable dividend stock, distributing \$0.062 a share payout monthly. This payout has grown ~5% each year over the past three years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:FN (First National Financial Corporation)

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