Gain Exposure to U.S. Real Estate With These 2 Stocks

Description

The U.S. economy is expected to be stable heading into 2019 with steady growth of gross domestic product and a low unemployment rate of about 4%. With interest rates still near historical lows, the demand for homes and other types of real estate remains steady.

Here are two stocks for you to gain exposure to the hard assets of U.S. real estate, a defensive sector.

Tricon Capital Group (TSX:TCN) was founded in 1988, but it's a relatively new public company, as it only began trading on the **Toronto Stock Exchange** in 2010. The company has generated strong value by delivering about 17% annualized growth in its book value per share since 2010.

Tricon Capital Group is a principal investor and asset manager, which is like a much smaller version of **Brookfield Asset Management**. Tricon Capital Group is focused on North American residential real estate with about US$5.6 billion of assets under management (AUM). About 68% of the AUM are principal investments and 32% are third-party investments.

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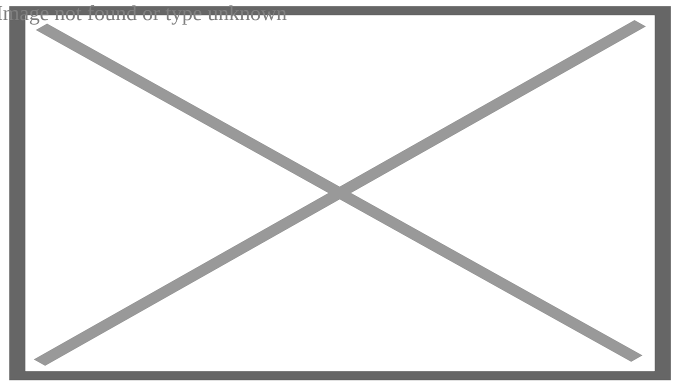

About 90% of Tricon Capital Group's portfolio is in the U.S. and about 10% is in Canada. The company invests in a portfolio of single-family rental homes, for-sale housing assets, and purpose-built rental apartments. It also manages third-party capital in connection with its investments.

The goal is to buy the stock when it's cheap. Investors should have Tricon Capital Group on their watch lists now that the stock has retreated about 12% from its 52-week high.

As of writing, it trades at $10.38 per share. As the stock approaches $10 — and certainly if it falls below that threshold, investors should seriously consider the stock.

The analysts from **Thomson Reuters** have a 12-month mean target of US$10.50 per share on Tricon Capital Group, which represents near-term upside potential of about 30% based on the recent foreign exchange of US$1 to CAD$1.30.

Brookfield Property Partners (TSX:BPY.UN)(NASDAQ:BPY) focuses on a core portfolio of office and retail real estate assets, although it also has investments in multifamily, industrial, hospitality, triple net lease, self-storage, student housing and manufactured housing sectors that target higher returns than its core portfolio.

Brookfield Property has about US$160 billion of AUM with about US$108 in the U.S. (i.e., about 68% of its total portfolio). It has several drivers of growth, including an active development pipeline, sales of mature assets to reinvest for higher returns, and organic growth.

In aggregate, management estimates these drivers will lead to cash-flow-per-unit growth of 8-11% through 2022.

Brookfield Property already offers an attractive cash distribution yield of about 6.3%. Additionally, its cash flow growth will allow for distribution-per-unit growth of 5-8% per year, which will increase the cash returns of its long-term unitholders over time.

Investor takeaway

Tricon Capital Group and Brookfield Property are defensive places to store a portion of your money, especially after their recent dips. You can get cash distribution yields of 2.7% and 6.3%, respectively, that will add to your total returns.

CATEGORY

1. Dividend Stocks
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2. TSX:BN (Brookfield)
3. TSX:BPY.UN (Brookfield Property Partners)
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Date
2025/08/25
Date Created
2018/10/08
Author
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