



## 3 Real Estate Stocks to Build Your Portfolio

### Description

If you own a home and have been trying to sell it over the past year, you might not be having very much luck getting offers anywhere near the price you were hoping. That's because Canada remains in the midst of a housing correction.

"We are in a broad-based real estate correction in 2018, and we think that it will take the year to work its way free of the overshooting that occurred in 2014 through 2017," Phil Soper, president of Royal LePage, said in December.

Whether it's higher interest rates or stress tests, home sales activity is expected to hit its lowest rate in nine years, putting Canadian residential real estate on shaky ground for the first time in many years.

Will this fear cross over to commercial real estate? The Fool's Victoria Hetherington doesn't think so.

In Hetherington's January 8th [article](#), she recommended three real estate investment trusts (REITs) that shouldn't be affected by the potential housing bubble.

I would tend to agree, although if residential real estate remains in a funk throughout 2019 and into 2020, these things have a way of slowing consumer spending, which would affect commercial real estate companies.

But for now, investors shouldn't fear allocating a portion of their portfolios in real estate stocks. Here are three that I recommend.

### Tricon Capital ([TSX:TCN](#))

I last recommended Tricon's stock in December, [suggesting](#) that investors were able to buy the real estate asset manager for a 25% discount. That's excellent news if you're interested in owning a real estate growth stock at a value price point.

I'm not the only one who thinks Tricon is a good buy in 2019.

**Bank of Montreal's** equity research department published its top 24 Canadian stock picks January 14. Tricon was one of three growth stocks recommended.

"Special situations analyst Stephen MacLeod has an 'outperform' recommendation and target price of \$13.50 based on a sum-of-the-parts [SOTP] calculation," reported the *Globe and Mail's* Jennifer Dowty. "He believes the company may experience further AUM [assets under administration] growth, NOI [net operating income] margin expansion, while the stock is trading at an attractive valuation."

It sure is.

I believe Tricon one of a handful of real estate stocks worth owning on the TSX.

## Morguard ([TSX:MRC](#))

It's been a long time since I've offered up Morguard as a possible real estate stock to buy. So long that I had to look it up. It turns out I last gave Morguard a positive recommendation in August 2017, suggesting patient investors consider its stock at \$180.

Fast forward 17 months. It's trading slightly higher but not enough to say "wow" or anything along those lines.

So, I turned to Morguard's report on Canada's economic outlook and market fundamentals for some answers,

"The market shows no signs of slowing, as investors continue to show interest in core and core-plus quality properties with strong tenant profiles in Canada's major urban centres — while site intensification and repositioning opportunities continue to shape the Canadian real estate landscape," stated Morguard director of research Keith Reading.

Although you wouldn't know it from Morguard's stock performance, the investor appetite for commercial real estate is still healthy.

CEO and founder Rai Sahi is a patient investor. He'll deliver for shareholders over the long haul. But you have to be patient.

## Colliers International ([TSX:CIGI](#))([NASDAQ:CIGI](#))

The commercial real estate brokerage announced January 18 that it is looking for a new CEO to head up its Canadian division. CEO David Bowden isn't going anywhere just yet. Instead, the company plans to hire a chief operating officer and groom that person to take over from Bowden when he retires in the next few years.

Bowden has been CEO for a decade and worked for Colliers for more than 30 years, The company's clients will be happy to hear about the succession plans in place.

Through the first nine months of 2018, Colliers had revenues and adjusted earnings per share of US\$1.94 billion and \$1.13, respectively. That's revenue growth of 16% and earnings-per-share growth of 135%.

It's no wonder Colliers CEO Jay Hennick (global operations, not just Canada) believes the company will report a solid fourth quarter when it announces earnings in late February.

As long as commercial real estate remains strong in North America, Colliers will continue to benefit.

## **CATEGORY**

1. Investing

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1. TSX:CIGI (Colliers International Group)
2. TSX:MRC (Morguard Corporation)
3. TSX:TCN (Tricon Residential Inc. )

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