



## 2 Lesser-Known Real Estate Stocks That Have Huge Growth Potential in 2020

### Description

With the real estate industry being so hot in the last couple years, it's natural for investors to want to get in on the action. While you can go for one of the larger [real estate investment trusts](#) (REITs) to give you exposure, these companies are sure to earn you slow and steady growth.

For those investors looking for a little more, though, you need to go off the board and find stocks that the market doesn't fully appreciate at the moment.

These lesser-known stocks will naturally be cheaper, and as they grow their operations and consequently grow their popularity, ultimately, the share price will follow in its path.

Two lesser-known real estate stocks to consider today are **Melcor Developments** ([TSX:MRD](#)) and **StorageVault Canada** (TSXV:SVI).

### Melcor Developments

Melcor is a real estate company that is largely vertically integrated and has a number of different segments to its business.

It's a company that acquires land in order to build communities and commercial developments consisting of retail office and other industrial buildings. In addition, Melcor also buys and develops existing properties to grow the value of the assets and increase the income these projects can generate.

From there the company owns and operates both commercial and residential real estate assets, which it uses to build its investment portfolio.

The residential portion also consists of four championship golf courses that are associated with the residential communities it owns and manages. Some of the main property management it does is for its REIT division, **Melcor REIT**.

The company's main goals include protecting shareholder capital at all costs through prudent risk management, growing shareholder value through strong operating performance, and distributing capital to its shareholders through a reliable dividend as well as strategic share buybacks.

Melcor has nearly three-quarters of its inventory located in Alberta, with a significant portion in the U.S. as well as some inventory in Saskatchewan and B.C.

Its dividend currently yields roughly 3.85%, which is pretty solid considering the dividend is only at about a 30% payout ratio, as the company retains most of its cash to reinvest in new projects.

## StorageVault Canada

Like its name suggests, StorageVault Canada operates a number of self-storage assets across Canada. It is the fastest-growing storage company in Canada as well as the only publicly traded stock in the self-storage business.

The self-storage industry is one that has a tonne of growth potential, especially in Canada, as the data shows we have lagged behind our neighbours to the south. In the U.S., storage has been the best growth industry in real estate for the last five, 10-, and 20-year periods, which is promising for SVI.

A lot of the growth it has gotten has come from acquisitions; however, that's not to discount the organic growth it has been achieving as well.

In the third quarter of 2019, its existing self-storage stores (similar to same-store sales) growth was more than 7% and its total revenue for the quarter increased by more than 45%.

Clearly, the acquisitions have been working well, as the company's net operating income (NOI) grew to \$24.8 million for the quarter compared to last year's NOI of \$18 million.

It pays a small 0.3% dividend, as it's retaining capital to continue to expand its operations, similar to Melcor.

## Bottom line

Both stocks offer investors exposure to different non-traditional ways of investing in real estate. These companies have quite a bit more growth potential and would be a perfect complement to some strong and stable REITs that provide you with solid long-term dividends.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:MRD (Melcor Developments Ltd.)
2. TSX:SVI (StorageVault Canada Inc.)

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### **Date**

2025/07/25

### **Date Created**

2019/11/28

### **Author**

danieldacosta

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