



2 Top Canadian Real Estate Stocks to Buy Now

Description

When most people think of investing in real estate, the first thought that comes to mind is owning property for rental income.

While this may be the most popular way for investors and one of the best ways over time, returning passive income that you can reinvest and continue to grow, there's also another aspect to the real estate industry, which is building and developing.

Building and developing is quite different from owning and renting, as the economics of the industry are different and the income for companies isn't passive, meaning that they have to continue to find new projects once old ones are complete.

And as it's developing large projects requiring massive capital investments in order to complete, it's higher risk. That said, it can also be a more rewarding business given that real estate developers are able to make massive returns on their money in relatively short periods.

Two companies to consider that operate in the development market of the real estate industry is **Melcor Developments Ltd** ([TSX:MRD](#)) and **Wall Financial Corp** ([TSX:WFC](#)).

Melcor Developments

Melcor is a Western Canadian company with four separate operating segments. The company develops communities and also has a property development segment, owns and manages investment properties and manages a recreational properties division that includes four golf courses.

Melcor has been in business for the last 50 years, and in that time has established itself as a top real estate developer. It's developed nearly 42,000 lots and roughly 144 whole communities since its inception.

The majority of its business around 78% takes place in Alberta, with 17% of revenue coming from the U.S, 2% from Saskatchewan and 2% from British Columbia.

By division, the majority of its revenue comes from community development at 54% and its investment properties division, which accounts for 33% of revenue. Property development and recreational properties account for 10% and 3% of revenue, respectively.

What's attractive about Melcor's business is that its two biggest segments work together to create massive value for shareholders.

The community development business gives Melcor the ability to create value, exposing the company to the potential of large capital gains, while the investment properties division earns the company passive income each month, thus guaranteeing cash flow coming in for the company.

The stock pays a dividend that yields roughly 3.75% and trades at just 7.5 times earnings, making it one of the [cheapest real estate stocks](#) on the **TSX**.

Wall Financial

Wall Financial is a real estate company with three distinct operating divisions: owning and managing residential properties, owning and managing hotels as well as the development and sale of residential properties.

The development segment has completed 22 building developments to date, with another two still under construction. Most of its developments have been buildings up until now, but one of its projects still in development is a neighbourhood of over 300 three-bedroom town homes.

The development offers great value creation opportunity for the company and its investors.

The hotel segment has two total hotels, the first being Wall Centre in Vancouver, a two-tower building with over 700 units and more than 30 stories in each tower. The other hotel, Wall Centre Richmond, is located adjacent to Vancouver Airport and features 185 units as well as over 230 residential units.

Its last segment has over 10 properties that total roughly 1,400 units, providing residences for customers and stable income for investors. Each property serves a different community and offers anywhere from a studio apartment to a penthouse.

Wall Financial is similarly attractive because it also combines the guaranteed cash flow from its rental property operations with the massive value creation potential of its development division.

Although rentals and hotels compose 62% of its assets, 78% of its revenue in the first three quarters of 2019 came from developments, demonstrate how important that is for the business.

The business is attractively valued, especially in the booming Canadian real estate industry. It currently trades at a price-to-earnings ratio of just 7.9 times and pays a dividend that yields roughly 5.9%.

Bottom line

Both companies are positioned well in the real estate industry, trade at extremely attractive valuations, giving investors the opportunity to invest only in real estate investment trusts.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRD (Melcor Developments Ltd.)
2. TSX:WFC (Wall Financial Corporation)

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