3 Solid Real Estate Stocks for Your TFSA

Description

Real estate has always been attractive to investors. One of the major reasons is that it's one of the few investments that are backed by hard assets. But the problem comes with the capital. Even a small apartment in the suburbs will require substantial capital for investment — something not many investors have. And taking out a mortgage to fund your investment might backfire if the market takes a nosedive.

But there is an alternative: invest in REITs and other real estate companies. You can start with much smaller capital and expect decent returns. And another benefit is that investing in real estate stocks will be passive, and you won't be exposed to the many responsibilities of a land/property owner.

Industrial real estate

WPT Industrial REIT (TSX:WIR.U) is a Toronto-based company with 75 properties (74 industrial and one office) across 18 U.S. states. The total area of these properties covers 22.3 million sq. ft., and they are worth about $1.5 billion. Currently, almost all of the company's properties are occupied. Long-term industrial tenants mean that WPT Industrial REIT has relatively dependable cash flows.

The company offers a juicy yield of 5.23%, and it has increased monthly payouts just once in the past five years. The payout yield is very stable at 48.24%. The market value of the company is $14.52 per share, which is a result of 23.8% growth in the past five years, resulting in a CAGR of 4.36%. The company seems highly profitable, with a profit margin of 77.7%.

Industrial and logistics real estate

The tried-and-tested Dividend Aristocrat, **Granite REIT** (TSX:GRT.UN), is one of the major players in the industrial and logistics properties in the country. The company has a diversified portfolio, with 90 properties in nine countries — mostly in Canada, the U.S., and Germany. The rest of the properties are in European countries. Most of the tenants in Granite properties are established businesses and blue-chip companies.

Granite is offering a decent yield of almost 4% at the time of writing, at the minimal payout ratio of 34.79%. A much better number that the company is offering is its CAGR of 10.53%. The company has seen steady growth in the past five years, with market value increased by 65%. Currently, the company is trading at $73 per share.

Residential real estate

This might seem like a risky option, but the substantial dividend yield and growth potential earns **Wall Financial** (TSX:WFC) a place on this list. It's a residential property manager. It develops and sells residential properties and manages rental and hotel properties.

The company is unique in the sense that it pays annual dividends. It's only been at it for four years and has increased the payouts by $1 per share for three consecutive years. Currently, it's offering a monstrous yield of 8.74%. But the best part about Wall Financial is its growth and CAGR. The company has grown its market value by 185% in the past five years, which comes out to a CAGR of 23.36%. Currently, the company is trading at $35 per share.

Foolish takeaway

$10,000 apiece in the three real estate companies might earn you over $9,000 in dividends and $27,000 in capital gains, essentially well over doubling up your starting capital. If the companies keep growing the same way, you will have a sizable enough nest egg sitting in your TFSA through the three real estate companies.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GRT.UN (Granite Real Estate Investment Trust)
2. TSX:WFC (Wall Financial Corporation)

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1. Business Insider
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