Real Estate Stocks: 2 Top Long-Term TSX Picks

Description

Residential real estate is always a top industry for investors — and certainly one of the better industries given the current environment.

These top stocks have become much more valuable in recent weeks, although the better stocks don't have the biggest discounts from their highs. Some of these top real estate stocks also haven't rallied much from their lows.

But when you consider where these stocks were just a couple months ago, as a long-term investor, this is a pretty good deal.

Both of the top stocks today have been major growth companies. The stocks have had impressive execution and have been some of the best investments for Canadians in past years.

These major growth stocks have a small dividend yield that is increased often. However, the majority of their cash flow goes to continued growth in the business. This has led to the massive share price increases in the last few years.

Growth real estate stock

InterRent REIT (TSX:IIP.UN) the first company to consider today, grew its share price by roughly 150% from 2015 to 2020.

The company owns a growing portfolio of properties in Ontario and Quebec. It grows the portfolio by purchasing properties in cities or regions with strong population growth, economic strength and resiliency as well as increasing rental rates. Management believes these factors to be necessary for strong long-term growth of the business.

Another strategy the company has adopted is to buy outdated buildings. By doing so, the company can immediately renovate any or all of the common areas, suites or amenities to increase the value of the asset in addition to being able to increase more for rent.

This strategy has worked wonders for InterRent and is one of the main reasons why it's such an attractive business.

To put that quick growth in perspective, since 2010, both the value of its assets and its funds from operations per unit grew at a compounded annual growth rate of 24%.

This is incredible execution, and the fact that InterRent has done it consistently year over year shows what a high-quality business it really is.

At current prices, the stock is down more than 30% from its highs — a major discount for long-term investors who want exposure to its high-quality assets.

Core real estate stock

Canadian Apartment Properties REIT (TSX:CAR.UN) the other top stock to consider, increased its share price by more than 85% from 2015 to 2020.

Although the rate of growth wasn't as fast, its method of growth was slightly different than that of InterRent.

For starters, Canadian Apartment Properties is more than 4.5 times larger than InterRent, which makes achieving large growth rates a much harder task.

In addition, the company has also been acquiring manufactured home communities (MHC) as well as new suites to diversify the growth in its portfolio. It now boasts more than 11,000 MHC sites from 72 communities across Canada, which makes it the second biggest MHC owner in Canada.

Its properties across Canada is another major difference between the two real estate stocks. InterRent owns assets only in Ontario and Quebec, whereas Canadian Apartment Properties has assets across the nation, offering better geographic diversification.

Plus, the discount for investors wanting exposure to those assets has become extremely attractive. The massive residential real estate stock is now down nearly 33% from its highs.

Bottom line

These two real estate stocks are some of the top long-term growth companies in the real estate space. They have proven that over the long run, they can grow both their asset's value and income.

Investors who buy at these low prices won't be disappointed, especially when markets recover, as real estate has long been a leading Canadian industry.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/28
Date Created
2020/04/05
Author
danieldacosta