2 TSX Real Estate Stocks Booming in the Recent Rally

Description

Real estate stocks have always been some of the best investments you can make, especially on the **TSX**.

First off, you can tailor your investments depending on what stage of the business cycle the market is in. That means buying more defensive real estate assets during recessions and rotating to higher-growth real estate assets as the economy starts to boom.

This is an advantage that real estate stocks offer that you can't get owning property, unless you have a massive amount of investment capital.

Furthermore, there are significant tax advantages to owning real estate stocks rather than physical properties.

Plus, stocks are inherently more liquid, which means you could theoretically buy and sell different real estate stocks each day for almost no transaction cost.

Because of this, every investor should have some exposure to real estate stocks, and if you've been considering buying a rental property, you should certainly look into purchasing real estate stocks first.

Here are two of the top real estate stocks on the TSX — both of which have been booming with the recent vaccine news.

Largest residential real estate stock

One of the top real estate stocks you can own is **Canadian Apartment Properties REIT** (TSX:CAR.UN). CAPREIT is an investor favourite for several reasons. It's a residential fund, and it's the largest and most liquid on the market. Most importantly, though, it has a long track record of strong performance.

Over the last 10 years, investors who have held CAPREIT have seen the value of their investment increase by roughly 350%. A lot of this momentum behind the share price increases is from the impressive growth that CAPREIT has been achieving over the years.

The company continues to find high-value acquisitions. It's bought a tonne of apartment suites as well as manufactured home community sites. Over the last decade, revenues have more than doubled, and the profitability is following suit. Even over the previous three years, revenue is up 25%, including the last six months, which have been impacted by the pandemic.

The leading real estate stock has proven to be extremely defensive and a great place to invest your money for the long term. Plus, it pays a dividend that yields roughly 2.7% today.

Top TSX growth stock

Another high-quality residential real estate stock you can consider is **InterRent Real Estate Investment Trust** (TSX:IIP.UN).

InterRent has been on a substantial rally since the first vaccine news came out at the beginning of November. In the last month, the stock is up 17%, more than three times as much as the TSX over that period. Despite this recent rally, the stock is still down more than 10% year to date, offering investors a solid entry point.

InterRent has consistently been one of the top growth stocks in the real estate industry. Its strategy of buying older buildings in need of maintenance and then investing in upgrades to grow shareholder value has provided the company with massive growth over the years.

In the past three years, InterRent investors have seen a more than 70% return on their investment, including the 10% decline seen this year. What's even more impressive is that investors have seen a 139% return over the last five years.

So, with the real estate stock still trading at a significant discount, this might be the last time to get it this cheap. I recommended InterRent a little over a month ago, and since then the stock has gained almost 20%.

Bottom line

These real estate stocks are ideal for investors in this environment for two reasons. First, residential real estate is highly defensive, which is vital given how vulnerable the economy is right now. However, they also provide significant growth potential, so when the economy does rebound, you can expect these funds to start posting immense growth again.

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)

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