3 Fantastic Undervalued TSX Stocks to Buy in 2021

Description

2021 has been great for the **TSX**. If the underlying economy starts recovering at the same pace and rapidly bridges the gap that exists between the struggling economy and the soaring stock market, it will substantiate the TSX growth and solidify investor confidence regarding the stock market.

But although the stock market has adequately recovered, it doesn't mean that *all* the underlying segments and units, i.e., sectors and companies, have reached or surpassed their pre-pandemic valuations. They eventually might, but for now, many of such companies are relatively undervalued and might make fantastic additions to your investment portfolio.

A real estate stock

Madison Pacific Properties (TSX:MPC)(NYSE:MPC) is a commercial real estate company that owns, develops, and manages CRE assets like office buildings, industrial properties, retail locations, and multi-family properties. This Vancouver-based company currently owns properties in three provinces: Ontario, B.C., and Alberta, and has a market capitalization of $228 million. Its current portfolio comprises 46 different properties.

The company also offers bi-yearly dividends and is currently offering a modest yield of 2.5%. But a better reason to consider this company would be its valuation and relatively decent long-term growth potential. It's currently trading at a price-to-earnings of 9.1 and a price-to-book of just 0.6 times. It has a five-year compound annual growth rate (CAGR) of 9.67%, and its growth has neither been consistent nor rapid.

But at this value, if it can keep growing steadily, it might turn out a very profitable investment in the long-term.

A REIT

Dream Office REIT (TSX:D.UN) is a Toronto-based REIT with an office property-centric portfolio. It has 30 prime office properties in downtown Toronto, with an average weighted lease term of over five years and an occupancy rate of about 88%. The stock has shown some life in the past year, but it's still way down compared to its pre-crash valuation.

It's currently trading at a 41% discount at the share price, a price-to-earnings of 5.8, and a price-to-book of 0.7 times. The reasons you might want to consider this portfolio is before it fell from its five-year peak, the stock grew well over 75% in about four years. The REIT might mimic this growth rate in the future as well, and if it does, its current undervalued acquisition might prove fruitful. It also offers a juicy yield of almost 5%.

A packaging company

Cascades (TSX:CAS) is a packaging and hygiene products company that focuses a lot on recycled materials and sustainability. It has a market capitalization of about $1.6 billion, over 88 units worldwide, and offers over 500 different products and services. The company is often considered one of the most environmentally-friendly (and environmentally-conscious) in Canada.

But Cascades' commitment to a greener future doesn't come at the cost of profitability. The company offers a decent five-year CAGR of 14.5% and a modest yield of 1.8%. It is currently trading at a price-to-earnings of 8.2 and a price-to-book of 0.9 times. It's not as undervalued as others on this list, but it's just as good a value bet.

Foolish takeaway

When you are considering an undervalued stock, it's highly recommended that you don't just look for companies that have fallen the most in terms of valuation but for stocks that have an adequate recovery potential as well. Because if your undervalued bet doesn't pay-off, you might still sustain a loss.

CATEGORY

1. Dividend Stocks
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2. TSX:CAS (Cascades Inc.)
3. TSX:D.UN (Dream Office Real Estate Investment Trust)
4. TSX:MPC (Madison Pacific Properties Inc.)

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