How to Invest in Real Estate as Mortgage Rules Tighten

Description

The real estate sector is one that has generally done quite well of late. I mean, all things considered, this sector has rebounded nicely from post-pandemic concerns.

For investors looking to invest in real estate, equities may be the best option right now. As home prices soar in Canada due to rock-bottom mortgage rates, it's becoming less and less affordable to get into the market. Accordingly, investing in various real estate stocks can still help diversify investor portfolios into this alternative asset class.

In the real estate space, **WPT Industrial REIT** (TSX:WIR.U) remains one of my top picks. Here's why.

Putting a lid on rapidly rising house prices

Canada's housing market has had the distinction of being the fastest-growing housing market in terms of price appreciation out of any G7 country for some time.

Indeed, these house prices have simply gotten out of reach for most Canadians. And Trudeau's recent moves to stabilize prices and curb demand are speaking to a new generation of buyers. These buyers are largely priced out of the market.

Accordingly, it could be the case that house prices at least decelerate from here. However, the proof will be in the pudding.

For now, investors may be better off focusing on companies with high-quality real estate portfolios that are undervalued. One such REIT I've been focusing on lately is WPT. This company holds mainly industrial real estate: warehouses and distribution centres. These properties fuel the logistics behind the e-commerce sector in North America. For those bullish on the growth this sector has in store, WPT provides a "picks-and-shovels" play on the sector.

The company's portfolio of properties is centered in the U.S., a country showing strong growth coming out of this pandemic. WPT has 35.6 million square feet of gross leasable area (GLA) and 108 properties across 20 U.S. states. Additionally, these properties are expected to show revenue growth around 2% over time.

Bottom line

Investing in a house was the typical wealth-creation strategy of the baby boomer generation and, really, most generations going way back. Millennials are largely being priced out of the market today.

Inflation in asset prices isn't really flowing through to wages. Accordingly, we've got a stark mismatch as to who is able to own homes and grow their wealth today.

Luckily for retail investors, WPT provides a great avenue to gaining exposure to real estate right now. For those bullish on the strength of the e-commerce sector in North America, this is a solid play. Those looking to diversify into real estate ought to have a look at WPT. It may outperform owning a single-family home over the long run (when one factors in that juicy 4.1% dividend yield).

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