3 Real Estate Stocks to Leverage Housing Market Momentum

Description

The Canadian housing market is undoubtedly an economic “catalyst” that’s keeping the money circulating, but as many experts and speculators have pointed out, it’s also a ticking time bomb. While the government has vowed to help local governments lower the cost of housing, it isn’t taking initiatives to rein in the raging home prices.

If the government’s help comes in the form of incentives and financial assistance for low- and middle-class households, it might only aggravate the housing bubble. **Royal Bank of Canada** has already revised its home sales projection and now expects it to rise by 16%, and other institutions might do the same. This indicates that the housing market might stay scorching hot till the year-end.

Even if you can’t control the housing costs, you can use it to your advantage and invest in relevant stocks.

A construction company

While the construction forecasts for 2021 were not overly optimistic, individual companies like **Bird Construction** (TSX:BDT) are seeing their stocks soar (though not as much as lumber prices). The share price of the company grew by 59% in the last 12 months, which is the single most consistent growth phase in the last decade.

A few more factors make the company an enticing buy, and the first of them is its valuation. The price-to-earnings multiple is just 10.9 right now. The company recently merged with a Calgary-based construction firm, which allows it to expand its service line significantly. And the last factor to consider is its relatively generous 4.1% dividend yield.

A mortgage company

MCAN Mortgage (TSX:MKP) is a relatively small company with a market capitalization of $459 million, and it offers a significantly high yield of 7.6%. It also offers relatively cyclical growth, but that’s difficult to time, especially with the current housing market. And the best part is that this mouthwatering comes at a discounted valuation. Its price-to-earnings multiple is 6.3, and the price-to-book multiple is 1.3 times.

MCAN offers both residential and commercial mortgages, though single-family mortgages make up the bulk of its investment portfolio. Its current mortgage portfolio is almost equally split between corporate mortgage and securitization. The revenues and net income for the last three quarters have been substantially higher than 2019 and earlier revenues, indicating a financial growth phase.

A residential REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) is one of the oldest aristocrats in the sector and has grown its dividend for nine consecutive years. The REIT is also more growth oriented than most other residential REITs, and even though its current valuation has yet to reach its pre-pandemic peak, its 10-year CAGR is an impressive 16.3%.

The strongest point in this REIT’s favour is its financial stability. The financial statements have been in green for the last nine years at least, and it also offers a modest 2.4% yield. The best part is that these attractive growth and dividend packages come at a very fair valuation and a small discount.

Foolish takeaway

We might not see a massive housing crash, especially if the government starts taking active measures to control the housing market. Still, even a slight stagnation might impact several stocks tied to the housing market. If you are not keen on buying these stocks now, you can wait for an eventual dip and buy at an even more discounted price.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:BDT (Bird Construction Inc.)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:MKP (MCAN Mortgage Corporation)

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adamothman