Real Estate Investors: 2 Stocks to Avoid the "Double" Bubble

Description

The feds in the U.S. have something called the "Exuberance" index for the global housing market. It's when a housing market grows to levels that are beyond the norm enough to be considered exuberant. The results are shared quarterly, and Canadian real estate has been coming up "exuberant" for the last five consecutive quarters. That's one bubble.

And if we stretch back farther, the Canadian market has been exuberant for a very long time — at least six years. Now, there is just one quarter between the current five-month-long exuberant bubble and the mad market before it. This has created an effect that some experts call a double bubble — i.e., a new bubble forming over the old one that has been blowing up for the last six years.

If we discard that one quarter, it can be considered one giant bubble that has been six years in the making. But it doesn't matter if it's a double bubble or one colossal bubble; the correction relative to size will either be brutal or relatively long term to bring prices back to the realm of reality. And if that's something you wish to shield your portfolio from, two stocks should be on your radar.

A real estate service company

Real estate, even the residential segment, is more than just about buying and selling properties. There is a lot of activity *besides* the usual transactions, and that's why investing in a company like **FirstService** (TSX:FSV)(NASDAQ:FSV) might not be a bad idea when you are trying to stay safe from a housing fallout. Another reason is FirstService's footprint, which is significantly more robust in the U.S. than in the country.

And even though the company recently joined the ranks of aristocrats, it's the capital-growth potential it offers that has the potential to attract investors. Its five-year CAGR of 33%, augmented by the consistency of growth, makes it an ideal growth stock. That level of growth, however, usually comes with a heavy price tag, and FirstService is no exception.

A commercial REIT

Another way to avoid an impending "housing crisis" is to invest in commercial real estate — ideally, real estate with an international footprint, and **Granite REIT** (TSX:GRT.UN) offers this powerful combo. Granite is mainly focused on light industrial properties (logistics, warehouses, etc.), and a sizeable chunk of its revenues comes from e-commerce activities.

That's another factor endorsing Granite's growth potential. The REIT has already proven itself in the growth and even the dividend realm. Its 10-year CAGR is 18.4%, and it's currently undervalued. It also comes with an attractive 3.1% yield, and the payouts are expected to grow in the future since the REIT is an aristocrat.

Foolish takeaway

Both Granite and FirstService are robust growth stocks. Thanks to the nature of their business and the footprint, both are relatively safe, even if the housing market crashes. They might experience a dip, but it might not be a bad thing. This will allow you to buy them at an even better price than you can get them for now.

CATEGORY

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2. TSX:FSV (FirstService Corporation)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)

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