2 Real Estate Stocks Canadians Can Buy in 2022

Description

There are several ways to gain exposure to the real estate sector. You can purchase a house and rent it out to derive passive income. Investors can also buy mortgage-backed securities to generate a steady stream of interest income. Alternatively, investing in companies that are part of the real estate sector is also a good option, as you can benefit from long-term capital gains at a far lower cost.

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Let's look at two real estate stocks Canadians can buy right now.

Equitable Group

A mid-cap stock valued at $2.3 billion by market cap, **Equitable Group** (TSX:EQB) has more than doubled investor returns in the last five years. However, it's also down 20% below all-time highs, allowing you to buy the dip.

Equitable Group provides personal and commercial banking services to retail and commercial customers, via its subsidiary known as Equitable Bank. The company ended 2021 with $42 billion in assets under management — an increase of 17% year over year. Its loan originations rose by 39% to $14 billion in 2021, and, in Q4, this metric surged by 19% to $3.8 billion.

Equitable Group now serves over 250,000 Canadians, as its single-family alternative touched a record of $14.4 billion in 2021. Its reverse mortgage loan portfolio rose by 325% to $247 million due to growing brand awareness and market penetration.

Despite Equitable Group's stellar returns, the stock is valued at an attractive multiple. Analysts tracking the stock expect revenue to rise by 24.6% to $726 million in 2022 and by 24.4% to $903 million in 2023. Comparatively, its adjusted earnings per share are forecast to rise at an annual rate of 19.5% in the next five years.

EQB stock is valued at a forward price-to-sales multiple of 3.1 and a price-to-earnings ratio of just 7.4, which is extremely cheap. Additionally, Equitable Group pays investors a dividend of $0.28 per share, indicating a forward yield of 1.7%. These payouts have increased at an annual rate of 20% in the last five years.

Bay Street expects EQB stock to rise by 46% in the next 12 months, making it a top bet for TSX investors.

MCAN Mortgage

The second stock on my list is **MCAN Mortgage** (TSX:MKP), which is valued at $520 million by market cap. It operates as a loan and mortgage investment company and offers single-family residential mortgages as well as residential construction and commercial loans.

MCAN also offers investors a tasty dividend yield of 8.15%. After adjusting for its hefty dividend payout, it has returned 95% to investors in the last five years. It offers investors dividends of $0.97 per share, compared to $0.29 per share in 2017. With a payout ratio of less than 60%, investors can expect a further increase in dividends going forward.

The company’s net income soared by 50% year over year in 2021 while average shareholder equity rose to 16.86% from 13.3% in 2020. MCAN’s management team aims to expand its investment portfolio to include higher-yielding mortgage products as well as non-marketable securities.

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