3 Real Estate Holdings for Powerful Capital-Appreciation Potential

Description

Real estate companies, especially REITs, are coveted for their dividends. Thanks to their relatively high yields, they stand out from the rich pool of Canadian dividend stocks. But not all real estate companies only have a healthy yield and safe dividends to offer. There are a few, both within the REIT pool and outside, that offer powerful capital-appreciation potential.

A residential property management company

FirstService (TSX:FSV)(NASDAQ:FSV) is one of the largest property management companies in North America. While it caters to housing communities (about 8,500) in both Canada and the U.S., the bulk of its revenue comes from the U.S.

This competitive advantage alone makes it a worthwhile investment, but that's just half of its business model. The other half, real estate services, brings in almost as much income as the property management business does.

Even though the Toronto-based company has been around for over three decades, the stock only started trading on the TSX in 2015 and has been going up almost since inception. The pace of its growth is just as impressive as the steadiness of its growth trajectory. However, the stock is currently going through a correction phase and is available at a 29% discount.

A REIT

Capital appreciation is usually not a forte of most REITs, but **Granite REIT** (TSX:GRT.UN) is a well-known exception. This light industrial REIT, with its geographically diversified portfolio, which is perfectly suited to meet the growing needs of the e-commerce market (logistics, warehouses, etc.), could have seen explosive growth in the pandemic-driven e-commerce boom.

However, surprisingly enough, the stock didn't grow too rapidly in the post-pandemic market. And its capital-appreciation potential, which has been quite compelling since 2016, didn't get a skewed perception — something that happened to a lot of growth stocks.

And since the stock is currently very aggressively undervalued, the chances are that it will keep growing steadily (as it has so far) in the coming years. The 3.2% yield is just the cherry on top.

A real estate services company

Colliers International Group (TSX:CIGI)(NASDAQ:CIGI) has made its mark in the real estate services market around the globe. The company has an impressive global reach and provides services in 62 countries. As essentially a service company, CIGI has relatively low debt for a real estate company, which can be a major attraction for prudent investors.

But what really attracts most investors to this stock is its capital-appreciation potential. While it has hardly been steady and linear, the stock has mostly gone up in the last decade, and if you had invested in the company exactly 10 years ago, you would have grown your capital 10-fold by now.

Even if the company doesn't offer the same pace of growth, even a fourth of it (about 25% appreciation a year) will put it ahead of most steady growth stocks.

Foolish takeaway

The three real estate companies are smart investments for their capital-appreciation potential. But the growth also comes with stability and security, as all three are counted among the leaders in their respective domains, at least in the local market.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NASDAQ:FSV (FirstService Corporation)
2. TSX:CIGI (Colliers International Group)
3. TSX:FSV (FirstService Corporation)
4. TSX:GRT.UN (Granite Real Estate Investment Trust)

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