2 Residential Real Estate Stocks for Rapid Growth

Description

Canada's housing bubble has grown to epic proportions, and only a handful of countries can match its size and potential risk. However, the risk is not uniform across the board. While selected markets like Toronto and Vancouver are dangerously hot, there are several mild markets as well, though they are not nearly as large.

There are already several projections for the housing crash, and we can already see a dip, but Canada's residential real estate sector has survived worse in the last few years, and the bubble may prevail.

Regardless of whether the bubble will burst, there are two residential real estate investments in Canada that offer promising growth potential.

A boutique apartment rental company

The business model of **Mainstreet Equity** (TSX:MEQ) is as simple as it gets in residential real estate. The company identifies and purchases old, mid-market multifamily properties that are ideally poised for a rent hike if appropriately managed. The margin might not be substantial, but thanks to a large number of individual units in each property, the company can turn *most* such acquisitions quite profitable.

It currently owns about 406 properties in 18 cities, translating to about 15,640 individual housing units or about 38 units per property. This is in line with the company's strategy to acquire modestly sized multi-family properties instead of larger apartment buildings with hundreds of units.

The growth potential is quite evident in the 10-year growth of 385%, and the pace has only accelerated in recent years. This great growth stock is currently trading at a 21% discount, which is expected to become more significant. So, keep tracking it and try to buy the dip for maximum return potential.

A property management giant

FirstService (TSX:FSV)(NASDAQ:FSV) is a North American residential real estate giant in two domains. It has two business segments: FirstService Residential, through which it manages about 1.7 million individual residential units, the highest number for any property manager in North America. The second business segment is essential services, which comes under the umbrella of FirstService Brands.

It's one of the most prominent players in this particular domain, catering to both residential and commercial properties, though the overall lean of FirstService is towards residential real estate.

The stock is currently trading at a 34.5% discount from its peak, and the discount seems quite called for, considering the rapid post-pandemic growth the stock experienced. It has been around since 2015, and the growth since its inception (which was relatively consistent before the pandemic) is over 378%.

Foolish takeaway

As an asset class, residential real estate is too expensive for most retail investors. But thanks to solid growth stocks like FirstService and Mainstreet Equity, you can gain decent exposure to this particular market segment. And since these companies have their distinct competitive advantages, they may offer slightly better returns than a real estate asset.

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Date
2025/07/20
Date Created
2022/05/04
Author
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