2 Downtrodden Real Estate Companies to Watch

Description

Not all discounted and downtrodden stocks are worth buying, especially if their downward spiral or stagnation period is still in full swing. However, these are the stocks that should be on your watchlist, because if you can buy right after they experience an uptick that marks the start of a relatively long bullish phase, you might get robust returns in a relatively short amount of time.

With that in mind, two real estate companies should be on your radar.

A real estate tech company

Real Matters (TSX:REAL) is an Ontario-based company that makes most of its revenue across the border. It's a real estate-oriented tech company that has established a platform that caters to a network of field agents and serves as a marketplace for mortgage companies and real estate insurance companies. And despite what the stock might reflect, the platform has done well for itself.

For example, it has already attracted three-fifths of the 100 largest mortgage lenders in the United States. The company also boasts a decent 95% retention rate. In 2021, the company made the bulk of its net revenue from the U.S. title market, and only 4% came from Canada.

While not undervalued, this real estate stock is genuinely downtrodden. The stock has been going down well before the current market-wide slump (since Aug 2020) and has fallen roughly 84% till now. At its current price, it might offer you over six-fold growth *just* by re-reaching its last peak.

A residential real estate company

If you want access to residential real estate but are not sure about the REIT route, there are a few other alternatives, and one that stands out among the rest is **Tricon Residential** (TSX:TCN). The company has developed a sizeable portfolio of single and multi-family properties — i.e., about 35,000 spread out across North America.

The bulk of the portfolio is across the border, and the company has an impressive presence in 11 states (mainly across coastlines). It rents out these properties are competitive market prices, though the characteristic strength of the company is well-managed properties.

The stock is currently trading at a 22% discount, which might not exactly be considered “downtrodden.” However, it is still quite a discount, especially if you take the low valuation into account. However, the stock’s performance, especially the pre-pandemic one, should be considered before you make a decision.

Between mid-2017 and Feb. 2020, before the stock fell in the crash, the stock had gained less than 1%. And even though it saw rises and falls, the overall performance was essentially stagnant. However, the post-pandemic growth has been quite an exception — 200% in roughly two years.

So, if you are hopeful about that bullish trend continuing in the future as well (especially considering the valuation), you may take advantage of the dip. You might also get a yield better than the current 1.8%.

Foolish takeaway

Only one of the two is currently an undervalued stock, but the Real Matters discount and the return potential, *if* the stock ever recovers, make it an even more compelling buy. However, it would be smart to track the company’s financials for the past three or four years before you make a decision. Strong earnings in a single quarter can trigger Real Matters’s stock recovery.

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