2 Real Estate Stocks to Add Growth to Your Portfolio

Description

The real estate bubble in Canada has grown to epic proportions, but the bubble is being arrested thanks to some “controlling measures” and market sentiment. The market might not cool down enough to become affordable for an average home buyer for some time now (or ever), but a crash might not be imminent.

However, if you have exposure to the real estate market via relevant stocks, you might have other concerns. The stock market is slowly going down, and the real estate sector is already going through a difficult correction phase. It might be a problem for the existing assets, but it’s also an opportunity to invest in potential growth at a discounted price.

And if you are looking for real estate stocks *outside* the most commonly invested asset pool — i.e., REITs — there are two companies you should start with.

Real estate advisory and consultancy company

Altus Group (TSX:AIF) is a $2 billion market cap company — right on the edge of small cap and mid cap. It has an impressive presence with 50 offices around the globe. It focuses on data-driven intelligence and offers commercial real estate consultancy services. It caters to the different needs of different stakeholders in the real estate industry, including developers, tax experts, and financial institutions.

Thanks to the nature of its operations, AIF is not an asset-heavy business, which is relatively uncommon in the real estate market. The company also carries relatively little debt. However, it’s also quite overvalued compared to the typical real estate stocks.

But if you consider its capital-appreciation potential, the stock is worth investing in, despite its overvaluation. The stock has returned over 500% to its investors, including the current 38% slump from the all-time peak the stock hit in Dec. 2021.

Considering its valuation, it’s highly likely that the stock might continue to fall down for a while yet, so try and buy it when it reaches rock bottom for maximum growth potential.

A diversified real estate company

When it comes to a solid asset base, few real estate companies reach the level of **DREAM Unlimited** (TSX:DRM) in Canada. This $1.8 billion market-cap company owns assets of about $16 billion across the globe, primarily in three markets: Canada, Europe, and the U.S.

And the portfolio is not just geographically diversified. It is made up of communities, residential, and commercial properties (office, retail, industrial). The diversification of the portfolio, a rigorous asset-selection approach, and a focus on sustainability make Dream an intelligent long-term investment from a healthy business perspective.

The capital-appreciation potential is substantial, but only in the right circumstances. It has risen over 220% since 2019, and the bulk of the growth took place after the pandemic. The stock is only now correcting after an aggressive bull run, and the valuation is already discounted.

Foolish takeaway

Real estate investing is a rich endeavour with a lot of variety. If you have enough capital, you can gain direct exposure (if you have enough capital) by buying real estate assets for price appreciation or rental income. You can also become a lazy landlord with REITs. Another way to gain exposure is to invest in companies like DREAM Unlimited and Altus Group.

CATEGORY

1. Dividend Stocks
2. Investing

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Author
adamothman