2 Real Estate Stocks to Buy on the Dip

Description

Rising interest rates and recession fears are hitting the real estate sector, as investors dump stocks connected to the property market. Property owners with high debt levels should be avoided, but there are other opportunities that look attractive right now for buy-and-hold investors with a contrarian investing strategy.

Colliers International Group

Colliers International Group (TSX:CIGI)(NASDAQ:CIGI) is a Toronto-based professional services and investment management company that provides real estate and investment advice to clients in 62 countries.

The business has grown considerably through acquisitions over the past 27 years, and that trend continues. In the first quarter of 2022, Colliers International Group announced or completed more than US$400 million in acquisitions and is on track to have a record year of capital allocation.

Revenue hit US$1 billion in Q1 2022, up 29% compared to Q1 2021. Adjusted earnings increased 38% to US$1.44 per share. The outsourcing and advisory group saw revenue rise 24%. Investment management revenue increased 94%. Leasing revenue grew by 34%, and capital markets revenue jumped 29% compared to the first three months of 2021.

The stock has drifted higher over the past month after dropping to $126. Colliers International trades near $148 per share on the TSX at the time of writing, but this is still significantly off the 2022 high of $200.

The services side of the real estate industry should deliver steady revenue through an economic downturn while attractive acquisition opportunities could emerge.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is an alternative asset management giant with US$725 billion of assets under management in real estate, renewable energy, infrastructure, credit, and private equity.

The company invests money on behalf of clients that include pension plans, endowments, foundations, insurance companies, financial institutions, sovereign wealth funds, and private investors. Brookfield Asset Management takes a fee for managing client funds and invests its own money.

Management has a knack for finding assets that can provide attractive long-term returns. At the same time, Brookfield Asset Management knows when to sell an asset when the market value has reached a point where it makes sense to book gains and deploy the funds in new opportunities. For example, Brookfield Asset Management sold US$3 billion office properties in Australia in the first quarter of 2022.

Fee-related earnings for the 12 months ended March 31 were US$2.0 billion, up 31% compared to the previous 12-month period. At the end of the quarter, the company had US$33 billion of additional capital that has not been deployed but will generate US$330 million in annual fees once invested.

Brookfield Asset Management intends to list a partial interest in its asset management business to unlock shareholder value. The listing is expected to occur by the end of the year.

Brookfield Asset Management trades near $57 per share at the time of writing compared to a 2022 high of $79.

The bottom line on investing in real estate stocks

Colliers International and Brookfield Asset Management offer investors opportunities to get good exposure to the global real estate market without taking on the direct risks of buying REITs that have specific segment risks. If you have some cash to put to work, these stocks look undervalued right now for a buy-and-hold portfolio.

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1. Investing

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