Why Real Estate Stocks Are a No Brainer Addition To Your Portfolio

Description

Real estate stocks can be a great way for Canadians to create passive income for their portfolios. But that doesn't mean just any of the real estate stocks out there will do.

Today, I'm going to cover what Canadians should look for when considering real estate stocks. Especially in this new, post-pandemic(ish) world.

Think long-term

Just like with any stock, you should be thinking long-term when selecting real estate stocks. Yes, you want to bring in passive income, but for what purpose? Are you using that passive income on a monthly basis to support your retirement? Or are you hoping to reinvest it to help pay for your kid's university education 15 years from now?

Getting clear on your goals when contemplating any investment should be at the forefront. When it comes to real estate stocks, you want to make sure that your investment aligns with these goals. While some companies will be around decades from now, others may be a better buy today only if you plan to divest them in a couple years.

Then there's a downturn

Real estate stocks can also be a great investment during an economic downturn like the one we're currently experiencing. This investment can help supplement your income, or at least provide you with some extra cash to use and invest in this cheap market.

But again, you need to choose the right real estate stocks. Economists recommend looking at funds from operations (FFO) to see how much cash flow real estate investment trusts (REITs) can generate even in a market downturn. REITs can be severely affected by rising interest rates and inflation, so investors should make sure the REITs they're considering have the cash on hand to continue dividend pay outs.

Some to consider

So, what real estate stocks should investors consider for the long-term? Analysts have covered several, and the ones that keep cropping up are **Granite REIT** (TSX:GRT.UN) and **Canadian Apartment Properties REIT** (TSX:CAR.UN).

Both of these companies offer investors long-term solutions as well as short-term results. Granite shares are down 25% year-to-date, trading at 3.28 times earnings, with a healthy 4.01% dividend yield. CAPREIT is down 21.5%, trading at 6.08 times earnings, and offers a dividend of 3.15%.

They've both achieved over a decade of historical growth and are set up for even more. Granite is in the industrial sector, offering exposure to growth in warehouses and e-commerce. Meanwhile, CAPREIT provides exposure to the now essential rental properties industry. Together, these companies offer incredible long-term income, and both trade at a promising funds from operations (FFO) per share of $3.93 and $2.41 in 2021.

Bottom line

If you want growth and stability, Granite and CAPREIT are strong real estate stocks to consider. They provide you with dividends, and trade at an incredible discount. Furthermore, both have grown 219% and 168% respectively over the last decade. That's growth you can look forward to every year for as long as you hold these REITs.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)

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