



## Why Real Estate Stocks Are a No-Brainer Addition to Your Portfolio

### Description

Throughout history, real estate has mostly been a safe and profitable investment. There have been instances, like the U.S. during the Great Recession and Canada now, when the housing bubble is rapidly shrinking and when it's better to stay clear from this asset class. But if you are in it for the long haul, real estate is usually a positive addition to your portfolio.

However, for many investors, owning a real estate asset might not be a practical option. Most investors don't have enough capital to invest directly in a real estate asset. And even if they have, diverting all or most of it in just one or two properties would be akin to putting all your eggs in one basket.

Financing an investment property makes sense in certain market conditions, but it's a bad idea when the interest rates are as high as they are now.

Real estate stocks are usually the best way (for most investors) to gain exposure to this asset class. And there are quite a few reasons why they are a no-brainer addition to any portfolio:

- They bring the tangibility of the underlying asset (real estate) to the portfolio, which is a great way to balance the intangibility of assets like cryptos, NFTs, and certain tech stocks.
- REITs, the most prominent segment of the real estate sector, are inherently generous dividend payers and contribute to the income potential of your portfolio.
- In Canada, the real estate sector (and most underlying stocks) usually outperform the broader market by a significant margin.

### A REIT

While dividends are usually the highlight of most REITs, **Dream Industrial REIT** ([TSX:DIR.UN](https://www.scribd.com/document/888888888/TSX:DIR.UN)) is one of the few that offer investors the best of both worlds, especially now, in its discounted state. It's currently trading 29% below the last peak, and this fall has pushed the yield up to 5.6%.

But a high yield is not the only good thing this resilient REIT stock offers. It has gone through two major growth spurts in the last five years alone — pre-pandemic and post-pandemic. In its pre-pandemic

growth phase, the stock went up roughly 57% in about two years and seven months. During its post-pandemic recovery, it jumped over 111% in about one-and-a-half years.

As a commercial REIT with a particular focus on distribution and logistics properties that are seeing a substantial increase in demand thanks to their association with e-commerce, the REIT might be better poised for future growth even compared to other commercial REITs. And it's almost invulnerable to the housing market fall.

## A real estate services company

**FirstService** ([TSX:FSV](#))([NASDAQ:FSV](#)) is a real estate service and property management giant in North America. The company has two primary businesses: residential communities management and essential property services.

Its property management business is extensive, to say the least, and the company oversees about 1.7 million housing units (most of which are in the U.S.), making it the largest property manager on the continent.

The essential services business is just as "large" from a revenue perspective and pretty diverse. The companies through which it offers essential services to residential and commercial clients include fire protection, home inspection, restoration businesses, and more.

This real estate stock has been a robust grower since its inception, and it's already recovering from the only sizable dip in its performance history. It has grown 18% since mid-June and is going up consistently.

## Foolish takeaway

If we divide the sector into two segments — REITs and all other real estate stocks — the two stocks above would represent the best of each segment.

They are even adequately sheltered from the current housing crash — Dream Industrial is sheltered thanks to its asset class focus, and FirstService is sheltered because of its U.S.-based revenue, which overshadows the Canadian ones. [Real estate investing](#) with such stocks can give your portfolio a powerful boost.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:FSV (FirstService Corporation)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:FSV (FirstService Corporation)

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