Down by 25%: Is Walker & Dunlop (TSX:WD) a Good Buy Today?

Description

The real estate market has been in a precarious position this year because of rising interest rates significantly reducing borrowing power. Despite the uncertain economic environment worldwide, the real estate industry is active and running better than expected in the United States. The median sales prices of existing homes in the U.S. passed the US$400,000 mark for the first time this past May.

The increase in home prices marked a record-breaking run of 123 consecutive months in which home prices rose year over year.

The growing demand for housing has penetrated several segments of the real estate sector, including multifamily housing units. While real estate investing might be an uncertain risk here in Canada, you can take advantage of rising prices across the border by investing in **Walker & Dunlop** (TSX:WD).

Massive commercial real estate lender

Walker & Dunlop is a US$3.70 billion market capitalization company providing financing services to owners of commercial real estate properties. It brands itself as the largest capital provider to the multifamily housing segment in the U.S. real estate industry. It is also the fourth-largest commercial real estate lender across all sector segments.

Most of the company's servicing portfolio comes through loans extended through agency programs. The company bears little risk through its lending business because the U.S. government indirectly backs the loans through enterprises like Freddie Mac and Fannie Mae.

The company's performance in recent months has been excellent, despite the uncertain economic environment. The company's Capital Markets team in New York has successfully guided several clients in securing different types of financing for various asset classes. As of this writing, the team closed over US$1 billion in capital markets activity throughout the country in the last 30 days.

A massive opportunity awaits

Rising home prices and falling inventory have led to a disparity between demand and the ability to purchase homes in the United States. It could create the perfect environment for the growing demand for multifamily housing units in the U.S., owing to the affordability of this type of housing.

Such a development could catalyze sales growth for Walker & Dunlop, creating more revenue through its loan origination and servicing fees.

The U.S. Federal Reserve has aggressively increased benchmark interest rates to control inflation. Fixed mortgage rates have climbed to 5.8%, up from 3.1% at the end of 2021. Rising interest rates could lead to more would-be homebuyers exiting the real estate market, opening up the opportunity for growing multifamily housing demand.

Foolish takeaway

Walker & Dunlop has been strengthening its affordable housing platform. It acquired Alliant Capital at the end of 2021, a company specializing in low-income housing tax credit syndication. It means the company connects institutional investors to developers to fund housing projects that generate tax credits. Acquiring the company has skyrocketed its assets under management to US$16 billion.

The housing environment across the border right now could provide significant headwinds for Walker & Dunlop stock. At writing, the stock trades for US$111.90 per share — down by 25% from its 52-week high. It could be an excellent investment at current levels.

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Author
adamothman