3 Real Estate Stocks to Buy if the Sector Dips Further

Description

2022 has not been a good year for real estate in Canada. The market peaked around the beginning of the year, but it has mostly been downhill since then. The real estate sector in the stock market faithfully followed along until about mid-June, when it turned course and started to go up against the market flow. But now, since mid-August, it's experiencing downward movement again.

Three discounted stocks may become even more heavily discounted and very attractive bargains, as the sector slides down even more.

An industrial REIT

Light industrial REITs, like **Granite REIT** (TSX:GRT.UN), with a lot of their portfolios consisting of logistics and warehouse properties (both of which are used heavily in the e-commerce business) *thrived* during the pandemic. The e-commerce went up at an insane rate, and related companies, like Granite, reaped the rewards of association.

But Granite has been a decent growth stock, even before this uniquely powerful spell and may prove a steady grower in the future, even without the e-commerce catalyst. One of its major strengths is its international portfolio spread out over five countries.

Its clientele is also quite impressive and includes giants like **DHL** and **Walmart**. The stock is currently down 27% from its Dec. 2021 peak and is also undervalued, making it an attractive bargain.

A global commercial real estate company

Colliers International Group (TSX:CIGI)(NASDAQ:CIGI) offers a different exposure to commercial real estate than a REIT like Granite. Where a REIT gives you access to a portfolio of underlying real estate, investing in Colliers is similar to investing in a service company from any other industry. Though this one focuses solely on services to the commercial real estate industry and has multiple lines of business.

It caters to companies from a wide variety of industries and offers services to both tenants and landlords (among others). But an even more impressive range the company boasts is the number of countries it operates in: 63. Even if most of the revenue is generated locally, exposure to international markets comes with additional and sometimes unique growth opportunities.

It’s currently trading at a price 21% lower than its all-time high, though the discount might grow if the stock falls harder.

A residential REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) is the largest REIT in Canada, and not just in the residential domain. However, the heavy residential lean is not a very attractive feature when residential property prices are falling off a cliff in most markets. But the REIT may not feel the full impact of this downfall until rents start falling, because that might directly reflect in the company’s earnings.

From a dividend perspective, the REIT has a lot of leeway in this regard, because its payout ratio hasn’t even crossed 50% in the last 10 years, so it may continue with its dividend-growth streak and remain an aristocrat even if rents fall a bit. Its share price, however, may experience a relatively harsher reaction if the housing crisis starts reflecting in its earnings.

Foolish takeaway

The real estate bear market might continue till the end of the year, or the sector may start recovering whenever the TSX, as a whole, recovers. Your aim should be to hit the perfect spot right before the recovery starts or the recovery pattern is solidified. This may allow you to lock in a much higher yield and benefit from a much better discount than the real estate stocks are offering right now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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3. TSX:CIGI (Colliers International Group)
4. TSX:GRT.UN (Granite Real Estate Investment Trust)

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Date
2025/08/13
Date Created
2022/09/04
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