2 Promising Real Estate Stocks to Buy at a Discounted Price

Description

The real estate sector in Canada, specifically the residential real estate market, is quite weak. The prices are still falling in many of the major markets, and the big banks (in addition to investors) are predicting a relatively bleak future for the housing market in Canada.

This isn't manifesting as harshly in the stocks yet, but it may be a matter of time. And even though many real estate stocks are discounted enough even now, they may become even more discounted in a few months if the real estate bear market continues. You may consider buying at least two of the top stocks in the real estate sector (at a heavily discounted price) for the eventual recovery.

A property services company

Property services and property management is one facet of real estate that might not be as adversely affected by the sudden price drop as other real estate businesses. This gives **FirstService** (TSX:FSV)(NASDAQ:FSV) an edge. But the stock has another layer of safety from the current Canadian market, its U.S.-focused business model.

The company generates the bulk of its revenue from across the border. And since the U.S. real estate market is currently not as volatile as ours, FirstService's business might be even less affected than other companies associated with property services.

It's a smart enough pick in a relatively healthy market as well. It's a leader in one domain (in North America), property management, and one of the giants in the other domain it operates in: essential property services.

The stock has also performed quite admirably since its inception. It's currently going through a correction phase and is still heavily discounted (35% from the peak). It may fall further with the rest of the sector, or this might be the peak of the bargain it offers. So, it would be a good idea to keep an eye on the stock and snatch it up right before the proper long-term recovery begins.

A REIT

Granite REIT (TSX:GRT.UN) is one of the best Canadian real estate investment trusts (REITs) you can invest in for capital appreciation. This makes it a relative minority among the REITs, as more of them are cherished for their dividend potential. And even though Granite doesn't disappoint in that area, with a yield of about 4.25%, its growth potential is still its more pronounced strength.

The healthy yield is the result of a sizeable dip that has already pushed the stock down by about 30%, and it might continue downward, considering its current trajectory. This discount, along with a good yield and stock's undervaluation, makes it a smart pick right now. But it might become even more attractive once the stock has fallen a bit more and the yield is even higher.

Foolish takeaway

Stocks might be a better approach to real estate investing right now compared to actual real estate assets, especially if you stick to safe options like FirstService and Granite REIT. Ideally, the two will start growing at their former pace once the real estate market stabilizes and you can see exceptional returns, thanks to the discounts you manage to capitalize on.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:FSV (FirstService Corporation)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)

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