

Bet on Real Estate Rebound Without Buying a House

By Jeff Cox
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While there is still debate over whether now is the right time to buy a house, there are other opportunities to make money in real estate.

A variety of mutual funds and real estate investment trusts present potentially lucrative opportunities for those looking to get in on an industry that could be poised for a rebound.

Analysts remain largely skeptical over whether housing as a whole has turned the corner into a full-blown recovery. But that very weakness has created other opportunities, particularly in rental properties and commercial real estate, which has remained largely untouched as the residential market has tumbled.

"I think there are some positive or at least relatively positive signs in the housing market right now," says David Twibell, president of wealth management at Colorado Capital Bank. "Put them all together, you may be seeing some stabilization."

Yet like many investment pros, **Twibell** is wary of jumping in with both feet. He looks for a recovering real estate market to help retail and financials, but doesn't see that change transpiring until the fourth quarter.

Kathy Boyle, president at Chapin Hill Advisors in New York, is even more bearish on real estate but still sees opportunity. In particular, she's looking for real estate-related companies whose charts show double-bottoms since the market collapsed.

Boyle has **Vornado Realty Trust** rated as a buy, due primarily to the beating the stock has taken against its relatively strong cash-flow look. As a bearish play against the market using an exchange-traded fund, she recommends the **ProShares UltraShort Real Estate** as a way to benefit from a real estate downturn.

Vornado holds 111 office properties in metropolitan areas including New York City and Washington, DC, as well as more than 100 retail spaces and warehouses. The ProShares fund invests inversely to the Dow Jones Industrial Average.

Many market pros also are looking to mutual funds, primarily weighted toward apartment buildings and other commercial properties, as a smart play.

Both Boyle and Michael A. Kresh, of M.D. Kresh Financial Services in Islandia, NY, back Kensington's various mutual funds that invest in diversified real estate plays.

Kresh, another money manager skeptical of the real estate recovery, favors the **Kensington Global Infrastructure Fund**, which he described as a "real estate lite" play investing in companies that help feed the development in growing economies.

"I really think the residential housing market is still very much in trouble," Kresh says. "Too many parts of the country are showing signs that they haven't bottomed out yet."

Opportunity in Emerging, Depressed Markets

One area that has become something of a poster child for the real estate plunge has been South Florida. That's one of the reasons why Peter Miralles, president of Atlanta Wealth Consultants, is looking in precisely that region for a rebound that he thinks will come from a more open economic approach from Cuba and a growing popularity in rental properties now that so many people in the state have lost their homes to foreclosure.

Miralles also likes Vornado and is interested in some REITs, which allow investors to put their money into real estate much like they buy stocks, while allowing for liquidity and limited risk.

Cohen & Steers provide a variety of offerings, and Miralles recommends the company's **REIT and Utility Income Fund**, which invests in stocks with exposure to real estate and utilities. Other REITs that Miralles considers worthwhile include the DWS RReef **Real Estate Fund II** and its **World Real Estate and Tactical Strategies Fund**, both of which he said are trading at large discounts and offer enticing yields. The SRO fund invests in offices, hotels, malls and other properties, while the DRP takes a similar strategy on a worldwide scale.

For those with deeper pockets, there is the **ING Global Real Estate** mutual fund, which requires a \$250,000 minimum investment and is weighted in international real estate. Vipin Sahijwani, managing director of research at Lynx Investment Advisory of Washington, DC, recommends the fund with its exposure to emerging markets and says retail investors can take part in the fund's Class A share equivalent

Sahijwani is excited about REITs that will be coming out of emerging markets such as Thailand, Israel and India.

Some advisers, though, stay away from the publicly traded REITs and are counseling their clients to find private issues in the field.

Dennis J. Barba, managing partner of The Oxford Group, said HJ Heinz manages one of the most well-respected REITs through its office building holdings. As far as the broader market, Barba is watching home builder stocks but believes more trouble could be on the horizon and is waiting until they make a convincing move, bolstered by high volume, to the upside before investing.

"If you've got a stock that went from \$4 to \$6 and it's going to end up at \$25, I'd rather buy that stock at \$10 or \$11 when it appears that things have gotten better as opposed to bottom fishing," Barba says. "I try not to buy things that are going down."

Randy Carver, president of Carver Financial Services, also isn't enthusiastic about housing stocks but believes a company like **Home Depot** can benefit as builder stocks get healthier and cash-strapped homeowners do their own repairs rather than hire professionals. Carver also likes privately traded REITs such as the Heinz offering.

He represents a cautious view that is prevalent among investment pros like Chapin Hill's Boyle.

"Everything looks great on paper. Theoretically you're supposed to diversify and real estate makes perfect sense as an asset class," Boyle says. "But it just had a 17-year run. Nothing goes up forever. It has to correct itself."