



Forget Buying a Rental; Here Are 3 Better Ways to Invest in Canadian Real Estate

Description

They say if the best time to plant a tree was 20 years ago, then the second best time would be now. That axiom sure doesn't apply to Canadian real estate.

Twenty years ago, investors could make a decent return buying single units. Mortgage rates were higher, but a buyer could count on enough cash flow from a property to pay the mortgage, all the other expenses, and still have some left over at the end of the month.

Now? The majority of property in Canada's largest markets won't make an investor enough to even cover expenses. That means the owner of the property has no choice but to pay out of their own pocket. It's the equivalent of borrowing money to buy a stock and then paying the company for the privilege of owning it.

Fortunately, there are better ways to own real estate. By buying a real estate investment trust, investors get exposure to hundreds of different properties from coast to coast. You'll never have to cough up extra cash to fix an appliance broken from misuse, and nobody is going to call at 2 a.m. because of toilet issues.

If you buy these three REITs, you'll not only have geographical diversification, but you'll also own different classes of real estate. Let's take a closer look.

Dream Office REIT

Dream Office REIT ([TSX: D.UN](#)) is one of Canada's largest owners of office buildings, spread over more than 180 different buildings and 24 million square feet of leasable area. The REIT's two largest markets are Calgary and Toronto, where it owns some of the most coveted office space downtown.

Dream currently trades at approximately 25% less than book value, making it one of the cheapest REITs in the country. It also has some of Canada's largest companies (and various levels of government) as its main tenants, so you know rent is going to be paid on time. And since the average rent in most of its buildings is a little below market value, there's an opportunity to slowly increase

revenue at it renews leases at market rates.

The stock yields nearly 8%, and the company's payout ratio is under 90%. It's a terrific option compared to buying a single condo.

RioCan Real Estate Investment Trust

Dream is perhaps the finest office REIT in the country, so let's keep looking at the best the sector has to offer. Next up, **RioCan Real Estate Investment Trust** ([TSX: REI.UN](#)), which is Canada's largest owner of retail space.

RioCan offers all the same advantages that Dream does. It has more than 84 million square feet of leasable area spread over 330 developments, with approximately 20 more on the way. The company's largest tenants are among Canada's largest retailers, with names like **Wal-Mart**, **Loblaw**, and **Canadian Tire** leading the way.

RioCan hasn't missed a monthly dividend since going public in 1997. Investors currently receive 11.75 cents per share, good enough for a 5.3% yield. Look for the dividend to creep up over time as well, as these new projects come to market.

Canadian Apartment Properties REIT

Many landlords get their start owning one apartment condo. By spending the cash to acquire **Canadian Apartment Properties REIT** ([TSX: CAR.UN](#)) instead, investors can get exposure to more than 35,000 apartments and more than 6,000 mobile home land lease sites.

CAPREIT trades at a small discount to book value, has grown both revenue and net operating income by more than 5% year over year, and has a payout ratio of just 70%. This not only makes the company's 4.7% yield one of the safest in the sector, but also gives it plenty of wiggle room to raise it.

Plus, it serves as a decent hedge against falling real estate prices. If condo values fall in Canada's major cities, it will drive up demand for rentals. Nobody will be caught dead owning a condo, and people still have to live somewhere.

Looking for more stocks that are a better alternative than buying a rental property? We've got three more choices. Check them out below.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:D.UN (Dream Office Real Estate Investment Trust)
4. TSX:L (Loblaw Companies Limited)
5. TSX:REI.UN (RioCan Real Estate Investment Trust)

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