



Trump, Corcoran, and You? How to Build Your Own Real Estate Empire

Description

Chances are, you know their stories well.

Donald Trump is one of the best known real estate entrepreneurs in the United States. Although Trump primarily built his fortune in New York City, buildings around the world are emblazoned with the Donald's name. These days, Trump mostly just lends his name to other developers' projects for a fee. He is worth approximately \$4 billion, according to *Forbes* magazine.

Barbara Corcoran is another well known real estate mogul in New York City. Starting off with just \$1,000 borrowed from her boyfriend in 1973, Corcoran eventually sold her company, The Corcoran Group, to NRT Incorporated in 2001 for \$68 million. Since then she has embarked on a second career of writing, speaking, and becoming one of the sharks on ABC's hit series *Shark Tank*. Corcoran's net worth is estimated at \$65 million.

While I can't promise that you'll get anywhere near the success of those two tycoons, I can say that building your own mini real estate empire isn't as difficult as you think.

Of course, we all know this by now. Chances are you know somebody who's done it, especially given how hot Canada's real estate market has been over the last 20 years. It seems like no matter the location, all you needed to do was buy, hold, and make sure the place didn't burn down. That's how easy it's been making money in real estate.

These days? Forget about it. In my opinion, you're nuts to even consider a rental property in most Canadian cities. Landlords have been treated to capital appreciation for so long that they've bid up revenue properties to the point where you can't make any money on just cash flow alone. Property in Toronto and Vancouver regularly sells at a 30x annual rent multiple. Once you factor in the mortgage and other expenses, you're going backwards each year. Price appreciation is the only saving grace.

Fortunately, there's a better solution, one that requires no more work than a few clicks of a mouse. You should buy real estate investment trusts.

Take **RioCan Real Estate Investment Trust** ([TSX: REI.UN](#)) as an example. It's Canada's largest

owner of retail property, with 293 different locations and more than 70 million square feet of space. It also owns an additional 47 properties and 13 million square feet in the U.S.

Not only does RioCan come with instant diversification, but it also comes with infinitely better tenant quality than the average apartment dweller. RioCan's largest tenant — **Loblaw Company** — only makes up 4% of its annual revenue. Even its top 10 tenants only make up about a third of its revenues.

Plus, RioCan pays a generous 5.5% dividend. There's nothing left for you to do but sit back and collect your dividends. Let other people worry about the hassles of keeping tenants happy.

Maybe retail isn't your thing. Maybe you buy everything from **Amazon** and see the traditional retail model eventually disappearing. OK, then how about owning **Canadian Apartment Properties REIT** ([TSX: CAR.UN](#))? No matter how bad the retail world gets, people are still going to need somewhere to live.

Unlike competitor **Boardwalk REIT**, CAPREIT's properties are more focused in Eastern Canada, leaving it less exposed to a slowdown in the energy sector. It also boasts an occupancy rate of nearly 98%, a payout ratio of less than 75%, and increasing operating income.

CAPREIT also has a stellar dividend history. It increased its distribution in the summer, making it the eleventh dividend raise in the last 17 years. Shareholders who bought back in 2000 are now enjoying a yield on cost exceeding 11%, as well as more than a 140% gain on their original investment. Not bad for never lifting a finger.

Say you had a choice of putting \$100,000 down on a property or buying \$50,000 of RioCan and CAPREIT. With the two REITs, you'd be looking at an annual income of more than \$5,000 per year, plus the potential for capital appreciation going forward. It's a pretty easy choice. Take the lazy route, and start building your own real estate empire today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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