



7 Benefits of Investing in REITs Over Real Estate

Description

If you're renting out properties, you need to collect the rent from your tenants. That's extra work you must do. If you have multiple rental properties, you might choose to get someone to manage them for you, to collect the rent and deal with any maintenance needed. Both the management and maintenance requires extra fees. Otherwise, you'll be spending time to manage it yourself. Further, you'll probably have to pay off the mortgage on top of the interest.

There's a better way to invest in real estate. It is buying real estate investment trusts (REITs). Here are the benefits:

1. Collect rent by doing essentially nothing

Well, okay, you actually need to buy the units of a REIT before you can start collecting the monthly paycheck. But after you purchase the units in your account, you can sit back and collect "rent." Most Canadian REITs pay out the rent in monthly distributions that go straight to your account on schedule with no hassle.

What's more? Some REITs will pay out special distributions on top of the monthly distribution when it sells some of its properties for gains. For example, **Boardwalk REIT** ([TSX:BEI.UN](#)) paid out two special distributions since 2010 after it sold off some non-core properties. Again, special distributions are paid out to your account with no hassle on your part.

2. Invest in small amounts, debt free

If you're buying a property to rent out, it's a huge investment. A condo costs around \$300,000. The average Joe or Jill will need a mortgage and will have to pay interest on it. If you're one who doesn't sleep well with too much debt, well, you'll be happy to know that by investing in REITs, you can invest in real estate without adding to your debt load.

You can invest as little as you like. Of course, you should invest amounts that make sense for the transaction fee you pay your discount brokerage for every buy or sell. For example, \$10 transaction fee would indicate 1% cost for a \$1,000 purchase, and 0.50% cost for a \$2,000 purchase.

3. Immediate diversification

Your investments in real estate can be immediately diversified by geographical location as soon as you buy a REIT. For instance, **Calloway Real Estate Investment Trust** (TSX:CWT.UN) owns 128 retail properties across Canada.

Each REIT owns properties in specific industry classes. As mentioned before, we have Boardwalk REIT, which owns residential properties, and Calloway REIT, which owns retail properties. The first publicly traded Canadian REIT, **Canadian REIT** (TSX:REF.UN) owns a mix of retail, industrial, and office properties.

By buying set amounts in different classes of REITs, you get immediate class diversification.

4. Professional management teams

Each REIT has a professional management team as well as a board of trustees with specific industry experiences and the business know-how to manage the business and the properties.

They are the best at doing what they do. Why not leave it to these professionals to handle the everyday operations of the REITs?

5. Liquidity

Publicly traded REITs are generally pretty liquid. Even for smaller ones such as **Plaza Retail REIT** ([TSX:PLZ.UN](#)), if you set the limit price close to the market price, you should be able to sell it within a day or two. If you own a property and want to sell it, it could take months, and there's a lot more paperwork and fees involved.

6. Information at your fingertips

With the invention of the Internet, you can learn about each publicly traded REIT on their company website. Each website also has an Investor Relations section for us to see the latest presentations, financial reports, distributions, and taxation information.

7. Own high-quality real estate

You can handpick the highest-quality REITs based on their historical performances as a business.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)

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