4 Reason's Why Dividend Stocks Are Superior to Rental Properties

Description

It is hard to dispute that there is nothing like the satisfaction that comes from owning bricks and mortar. Even more so when the growth of Canadian house prices and rents over recent years is accounted for.

However, there is a far better way to invest in a steadily growing income stream with capital appreciation.

Now what?

Dividend stocks give you the opportunity to receive a steadily growing income stream and capital appreciation with a number of advantages over investing in residential real estate.

First, you can make a meaningful investment with significantly less money, with as little as $10,000 allowing you to invest in a diversified portfolio of dividend stocks.

This includes the ability to own well-known businesses with wide economic moats such as **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Fortis Inc.** (TSX:FTS). They offer sustainable yields of 5% and 3.5%, respectively, and have hiked their dividends almost every year for the last decade.

However, buying a rental property is a whole different ball game. In recent years Canadian residential real estate prices have grown rapidly. Now, with the average national house price well in excess of $430,000 and rising to over $640,000 in the nation's hottest real estate market, Vancouver, investors can be exposed to considerable financial strain.

Second, ease of management with a portfolio of dividend stocks being far easier to manage than a rental property.

Managing a rental property, screening tenants, and conducting maintenance is time consuming and almost a full-time job, whereas with dividend stocks you just sit back and let the monthly or quarterly dividend cheques roll in.

Third, dividend stocks are far more liquid than residential property.

This is because they are easier to buy and sell, and with an online stock broker, you can trade from the comfort of your home for as little as $10 per trade.

However, buying or selling residential property is time consuming and costly, with it potentially taking months to close any transaction.

Finally, it is far easier to manage risk through diversification.

You see, the tremendous cost of acquiring residential real estate makes it extremely difficult to put together a geographically diversified property portfolio. The average investor is only able to afford two or three properties, making each property a big bet on their location. The recent collapse in oil prices highlights just how risky this can be. Property investors in Alberta, the heart of the energy patch, are already feeling the pain, with sales activity and housing prices in decline.

One way to manage this risk when adding property to your portfolio is by investing in a diversified real estate investment trust such as **Canadian REIT** (TSX:REF.UN). Not only does it pay a juicy 4% yield, but it also holds a nationally diversified portfolio of property assets across residential, office, and industrial real estate.

So what?

Clearly, dividend stocks are a superior long-term income investment compared with residential properties. Not only can you access each of the advantages discussed, but you get the satisfaction of owning an interest in some of Canada's largest and best-known companies, along with a steadily growing income stream.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:FTS (Fortis Inc.)

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