



How to Easily Create Your Own Real Estate Empire

Description

There are all sorts of reasons why somebody might want to invest in real estate compared to the stock market.

Firstly, people like that real estate is a real asset. You can drive by and look at it, knowing that if the stock market ever goes to zero, at least you've got a tangible asset. After all, everyone needs a place to live. It also generates a very predictable cash flow, and tends to stay mostly occupied. Rents tend to go up at about the same level as inflation, and the value of the building also usually goes up over time as well. Expenses are usually pretty predictable, too.

Put that all together, and you have an investment that offers inflation protection, a fairly predictable return, and is always in demand.

Thousands of Canadians are heavily invested in the sector, doing things like borrowing to invest in condos in Canada's major centres. It's a move that's worked out very well over the past few years, but could potentially turn very ugly if Canada's real estate bubble bursts.

For investors looking to build their own real estate empire, might I suggest an alternative? Instead of pouring all of your assets into an investment property or two, focus your efforts on buying a diverse basket of real estate investment trusts.

Advantages to REITs

There are numerous advantages to buying a basket of REITs instead of trying to invest on your own.

Firstly, there's the diversification factor. A REIT owns hundreds of different properties spread across the country, diversification the average real estate investor can only dream about. Even if you wanted to build that sort of empire on your own, it would be extremely difficult for one investor to do so.

Then there's the issue of professional management. Paying a property manager to take care of one or two units will never be cost effective. By the time you're done paying a manager, and then the rest of your expenses, there will hardly be any profit left. Paying someone to take care of a huge apartment

complex or retail space? That's a little more efficient.

Start with these REITs

There are dozens of different REITs that trade on the TSX, and dozens more that trade on the U.S. markets. Which ones should you choose for your portfolio?

The easy choice is to buy a basket of them through the **iShares S&P TSX Capped REIT Index Fund** ([TSX:XRE](#)), which owns a basket of 17 different REITs. The ETF offers investors instant diversification and a yield of 5.4% for a very small management fee of 0.55%. That's the easiest way, and it will get you the most diversification.

Or investors could just go to the biggest and arguably the best in the sector, **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)). RioCan owns nearly 80 million square feet worth of retail space in North America, spread out over 340 different shopping centres. It boasts hundreds of different tenants, and is diversified enough that no tenant makes up more than 5% of total rents. And most importantly, RioCan pays a 5.7% yield.

Or investors could choose **Boardwalk REIT** ([TSX:BEI.UN](#)), which is one of Canada's largest owners of apartments. Shares have been weak lately, since investors are nervous about Alberta's rental market, a province that accounts for about 60% of Boardwalk's net income. But so far the company has weathered the storm just fine and actually posted improved profit numbers in the second quarter.

Unlike many of its competitors, Boardwalk didn't load up on debt during the last few years, choosing to sit on its hands instead of buying units at what management deemed to be unattractive prices. Instead, the company invested in its current units and paid down debt. It seems to be a solid strategy, since Boardwalk's apartments are desired by tenants, and its strong balance sheet ensures it'll easily be able to get through this tough time. Shares currently yield 3.9%.

Building your own real estate empire is as easy as making a few clicks on your mouse and buying Canada's finest REITs. Create wealth passively while letting the other guys go and unplug toilets.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)

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