



7 Reasons to Be a Passive Landlord

Description

Investing in real estate has generally been a great way to build wealth. The monthly income that comes with rental properties is great and all, but at the same time, being a landlord comes with a lot of responsibilities, including dealing with tenants and maintenance. It's not for everyone.

You can avoid all of those hassles and gain other advantages by investing in real estate investment trusts (REITs) instead.

Diversification reduces concentration risk

REITs own a portfolio of properties they collect rent from. So, from day one, your real estate-related investment is diversified—at least, much more so than if you'd bought individual properties.

For example, **Northview Apartment REIT** (TSX:NVU.UN) has a portfolio of more than 24,000 residential suites in over 60 rental markets across eight provinces and two territories.

Capabilities

REITs can turn out to be more of a quality investment than investing in individual properties because of the capabilities of the company.

Other than organic growth in stable markets, Northview also has the capabilities to make external acquisitions and develop in house for growth.

After acquiring the True North Apartment REIT and other apartment properties from Starlight Investments Ltd. in 2015, Northview became one of the largest multi-family REITs in Canada. These transactions expanded the company's footprint in Alberta, Ontario, Quebec, Nova Scotia, and New Brunswick.

Moreover, Northview's in-house development capabilities allow it to build quality rental properties for 1-2% higher returns than if it acquired older properties. As of the end of the third quarter, Northview had 49 acres of land held for development along with a number of potential opportunities in Ontario for

future developments.

apartment building

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No debt on your part

By investing in REITs, your bank won't be breathing down your neck for periodic mortgage repayments. REITs manage their mortgages professionally.

At the end of September, Northview's weighted average mortgage interest rate was 3.24% with an average term to maturity of 5.2 years.

Quality of dividend and management team

Not all stocks are created the same. Likewise, not all REITs are created the same. Some REITs have higher-quality portfolios, distributions, and management teams than others.

Northview is considered a quality, diversified REIT. Its recent funds from operations (FFO) payout ratio was 77%, which is reasonable for a residential REIT.

While growing Northview's scale, the management team has been treating unitholders well. Since 2002 Northview's distribution has been increased eight times and has never been cut. Simultaneously, its FFO payout ratio has been on a decline from the 90% level in 2002.

At about \$19 per unit, Northview yields 8.4% with a sustainable payout ratio and the potential for distribution increases in the future.

The takeaway

By buying quality REITs that are diversified, well managed, and treat unitholders well, investors can become passive landlords and avoid a number of hassles and enjoy many benefits.

There's no need for you to deal with tenants and collect rent every month, nor is there a need to save up money in anticipation of maintenance costs.

In fact, you can be debt-free and expect a paycheck to appear in your account every month without you having to lift a finger. Simply start by buying units of a quality REIT such as Northview today.

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