



## Attention Retirees: Do This Instead of Becoming a Landlord

### Description

Every now and again, I hear from a retiree — or soon-to-be retiree — who has a plan for what they'll do during their golden years. They plan to buy real estate and rent it out.

Becoming a landlord does have some positives. Staying active is something many retirees struggle with. A rental property will be enough to get them out of the house. And a retiree has the time to make repairs, collect rent, and show the property to prospective tenants themselves, which can save a significant amount of money.

But there are downfalls too. Dealing with tenants is a pain. Many cities are filled with overpriced condos that don't offer much cash flow. And if health issues strike, a retiree is forced to lean on family to manage the place.

Besides, retirement isn't the time for active investments. It's the time to be getting rid of things that require work.

There's a far better solution. Here's how a retiree can become the laziest landlord ever and still collect some fantastic income.

### Enter REITs

REITs have a plethora of advantages over buying physical real estate.

The ease of ownership is the big one. The owner of a REIT will never have to chase a dirt-bag tenant, fix a leaky toilet, or get a special assessment from a condo board. All an investor has to do check out the REIT's financials once a quarter to make sure everything is still okay. Many investors don't even do that.

Diversification is another big advantage. If you buy a condo close to where you live, you're doubly exposed if the local market starts to tank. Imagine losing 20% of the value of two properties versus just one. That hurts! REITs are far more diverse, and many own properties from coast to coast. Some even have U.S. exposure.

Certain REITs also offer great cash flows. Yields of 5%, 7%, and even 9% are relatively common with REITs. There aren't any landlords in Toronto or Vancouver that are buying property today and getting a 9% yield on their money.

The only thing left for an investor to do is choose what REITs they'll buy. Here are a couple interesting ones.

### **Crombie**

**Crombie Real Estate Investment Trust** ([TSX:CRR.UN](#)) was spun out of **Empire Company** in 2004. It owns 251 total properties with a total leasable area of nearly 17 million square feet. Nearly all of its locations are anchored by either a Sobeys or Safeway grocery store.

Empire Company is struggling lately, which has caused Crombie shares to fall in sympathy. Crombie shares currently trade at \$13.31 each, which is close to a 52-week low. That's a discount versus the company's book value of nearly \$16 per share, and it has pushed the dividend up to 6.7%.

The payout is solid too. Crombie pays just over 76% of its funds from operations to shareholders, which gives us plenty of wiggle room if there's some short-term weakness.

### **Northview Apartment**

There's one simple reason why I like **Northview Apartment REIT** (TSX:NVU.UN). It operates in smaller communities and in areas most other companies don't look at, like Atlantic Canada and the northern territories. These properties have higher cap rates than comparable ones in large centres, which translates into great dividends for shareholders.

Through the first three quarters of 2016, Northview delivered \$1.66 in funds from operations per unit, versus a distribution of \$1.22 per unit. That's a payout ratio of 73.5%, which is as low as you're going to find for a stock that yields 8%.

Keep in mind the company's results have been temporarily bad because of its exposure to Fort McMurray as well as decreased rents in areas that were heavily energy dependent. As these issues work themselves out, look for earnings — and the share price — to increase.

### **The bottom line**

It's silly for a retiree to take on the added responsibility of managing a rental property during their golden years. They should buy a basket of REITs instead and then hit the golf course. That will make for a far less stressful retirement.

### **CATEGORY**

1. Dividend Stocks

2. Investing

## **TICKERS GLOBAL**

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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