2 REIT Investments That Are Better Than Owning Property

Description

If you've been considering a real estate investment, you've probably been put off in recent weeks by the overheated markets that are plaguing the major metro areas of the country.

Despite increasing signs that the market is starting to cool, the average price of a home in the Greater Toronto Area still stands at over $760,000, and when we filter the data down to only include the core 416 regions of the city, that figure shoots to over $900,000. If we further filter it down to include only detached homes in the city, and the price can shoot upwards of $1 million.

Those prices represent a slight decrease from the $790,000 average asking price from last month, but few would argue that the housing market is overheated and well overdue for a correction.

So, what are prospective investors looking at the real estate market to do? Do they wait out for the inevitable drop or buy on hopes of scoring a good deal?

Here's a better option: consider a REIT investment.

All about REITs

REITs allow investors to reap the rewards of being a landlord without actually needing to worry about the day-to-day needs of the property or visiting tenants on a monthly basis to collect the rent.

And speaking of rent, many REITs pay their distributions on a monthly basis with yields, in some cases, that can be higher than 5%.

A typical REIT portfolio consists of dozens, if not hundreds, of properties that are scattered across a large are; properties could include commercial and residential holdings. This diversification serves as yet another advantage over a traditional real estate investment.

Here are two great REIT investments that cater predominately to retail and corporate tenants that are worth considering for your portfolio.

RioCan Real Estate Investment Trust (TSX:REI.UN) has a portfolio of 300 properties across the country that caters to retail tenants. As the largest REIT in Canada, RioCan's portfolio includes some of the largest shopping centres in the country and counts on some of the largest names in retail as anchor tenants for those properties.

RioCan's occupancy rate is north of 95% and is in no danger of dropping any time soon. RioCan offers a monthly payout of $0.1175 per share, which results in a very appetizing 5.83% yield given the current stock price of just over $24.

Another great REIT operating in the commercial sector is **Dream Global REIT** (TSX:DRG.UN). Dream Global has a portfolio of 170 properties in both Germany and Austria, comprising a massive 13.6 million square feet in total. Dream Global is keen on expanding to other markets, too; a $143 million price was paid recently to purchase the Airport Plaza in Belgium, and further expansion into other European markets seems likely in the future. Apart from being removed from the overheated real estate market here at home, one other benefit of Dream Global's European portfolio is Germany's low interest rates, which allow the company to continue to grow without significant interest charges.

Dream Global offers a monthly distribution of $0.07 per share, which, at the current price, results in an incredible 7.75% yield. From a growth perspective, the stock has risen over 9% year to date and over 11% over the past 12-month period, which makes the stock appeal to both income- and growth-minded investors.

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