



3 Top Real Estate Stocks I'd Buy With an Extra \$5,000

Description

Investing in real estate is a proven way to [create wealth](#). Many studies have shown that real estate has generated better returns over the long run.

There are many advantages of owning a real estate asset in your portfolio. Because real estate has a low correlation to other financial assets, such as stocks and bonds, by adding this asset to your existing portfolio, you can diversify your risks. In a low interest rate environment, for example, property values improve and outperform other assets.

But investing in real estate requires a huge financial commitment. In Canada, rising interest rates, tightening mortgage rules, and a decade-long boom have made investing in this asset class extremely difficult for retail investors. So, how can you own a piece of real estate if you don't have access to a large amount of capital?

Buying stocks of real estate investment trusts, or REITs, is one way to solve this problem. To invest in REITs, you don't need millions of dollars, you can start with as little as \$5,000.

Advantages of investing in REITs

There are many advantages of investing in REITs. One of the biggest is that REITs are run by professional managers who know how to manage real estate assets and get the best returns. The second benefit is that Canada's tax laws favour REITs, which must distribute at least 90% of their taxable income as dividends to shareholders.

Once you have decided to invest in REITs, the next challenge is picking the right ones. I always recommend that new investors should stick with the top players that have dominant positions in their markets.

High-yielding, but low-risk real estate stocks, such as **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)), **Allied Properties Real Estate Investment** ([TSX:AP.UN](#)), and **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) could provide you steady passive income without getting into the hassle of managing properties.

Artis is one of the largest diversified commercial REITs, managing industrial, retail, and office properties in Canada and the U.S.

One big advantage of owning Artis shares in your portfolio is that this REIT generates more than 30% of its net operating income (NOI) from its U.S.-based rental properties. And this means more cash flows for the company when the Canadian currency is trading at a discount.

Allied Properties focuses on office space in Canada's biggest cities. It transforms light industrial structures into modern office facilities, featuring high ceilings, natural light, brick, and hardwood floors. Office spaces in Toronto and Montreal account for more than half of its portfolio.

RioCan is Canada's largest REIT, managing large retail properties across Canada with some of the biggest retail names as its clients. RioCan is in the midst of transformation, focusing on Canada's largest retail markets and exiting some small cities where returns are low.

The bottom line

By investing in REITs, you can diversify your income portfolio and earn growing passive income.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:AX.UN (Artis Real Estate Investment Trust)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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