Consider This Evolving REIT for Future Growth

Description

Over the course of the past week, Canada's Big Banks announced another quarter of stellar results and even upped their already impressive quarterly dividends.

The Big Banks are often seen as a barometer of the overall economy, which appears to be firing on all cylinders. Statistics Canada mirrored the impressive financial results this week by announcing that the economy is growing at a rate of 2.9% in the quarter ending June 30, largely fueled by a bump in exports, particularly in the energy sector.

Another key measure for the market is home prices, which despite hitting a peak are still at multi-year highs. In fact, the white-hot markets of Toronto and Vancouver have seen prices shoot up so much that many homeowners are effectively millionaires, and first-time buyers are increasingly being shut out of the market due to swelling down payment amounts that are becoming out of reach for ordinary Canadians.

Fortunately, there's another alternative. Real Estate Investment Trusts (REIT) offer investors the option of investing in dozens, if not hundreds of properties that are often scattered over a wide geographic area and receive a generous monthly distribution for that investment, much like a landlord does each month.

RioCan Real Estate Investment Trust (TSX:REI.UN) is a unique option for investors looking to enter the REIT space. RioCan's portfolio currently consists of mostly large retail holdings, but the company is in the midst of a transformation that will not only diversify the company's impressive asset portfolio further, but also provide a new, potentially lucrative revenue stream that's less likely to experience downturns in the retail sector.

That transformation has RioCan focusing on expanding into the major metro markets in the country with mixed-use developments.

Why RioCan's approach is brilliant for investors

It goes without saying that the retail sector is changing. We are increasingly using our mobile devices to do purchases, which negates the need for the massive brick-and-mortar stores of the past. Concurrently, the rising home prices I mentioned earlier are pushing first-time buyers out of the major metro areas.

By offsetting some commercial space in metro areas with new residential units, RioCan can address both of these issues within the same parcel of land. Typically the mixed-use units will consist of several floors of retail followed by a tower or two of residential units.

It's a win-win for all, as residents have nearby shopping and all the amenities of living downtown, and will likely have minimal commute times, as transit lines will be nearby as well. RioCan is targeting over

10,000 residential units to be built over the course of the next few years, with the first four properties set to be completed within the next year in Toronto.

RioCan has dubbed the concept as RioCan Living, and the trend is already used and wildly successful in other parts of the world.

Why should you invest in RioCan?

RioCan is a great investment option, particularly for those investors looking at the long-term. To help develop the RioCan Living units, as well as shore up its finances, RioCan is in the process of raising capital through asset sales to meet a $2 billion goal previously stated.

As of earlier this week, RioCan has raised $1.2 billion towards that goal, and RioCan's properties maintain an impressive occupancy rate of 97%

Unfortunately, over the short-term, the asset sales will portray RioCan in a less than opportune light on paper to some, as the company's income will come in lower when compared with previous quarters.

One final point that investors should consider is that RioCan offers a very attractive monthly distribution, which at the current stock price translates into a very attractive 5.67% yield.

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