An Easy Way to Invest in Real Estate Without Taking on Much Risk

Description

Many people believe that owning a home is the best way to store wealth. And while that may be true in some markets, it's quite a different story in others (I've been trying to sell mine for over a year, thanks to a poor Albertan economy which has driven prices down).

There's a lot of risk and uncertainty when it comes to investing in a home, including maintenance and repairs, tenants if you rent your property out, and the uncertainty of knowing what you'll get for it when you go to sell. There are a lot safer (and more liquid) ways to take advantage of rising property values, and real estate investment trusts (REITs) are an excellent example of that.

Unlike owning real estate, where you're spending a lot of money on one house in one specific market, REITs can offer significantly more diversification. With properties across the country, in some cases even in different parts of the world, it's easy for an investor to invest in real estate without having to actually buy the underlying properties.

As property values rise, so do the asset values of the REITs that own them, and that translates into a higher value for the company, and, as a result, the share price goes up as well. But it's not just growing asset values that can help you earn strong returns; REITs rent out the properties and earn a steady stream of rental income as well and, with minimal costs, are able to produce strong margins.

SmartCentres Real Estate Investment Trst (TSX:SRU.UN) owns the shopping malls you'll find in many parts of the country, and a lot of its locations are anchored by **Wal-Mart** as well. As you can imagine, this provides SmartCentres with a lot of stability in its top line and provides investors with a minimal amount of risk.

Great option for dividends

Many REITs also provide investors with a recurring monthly dividend. In the case of SmartCentres, the stock currently pays its shareholders a yield of around 5.5%. So, even if the stock isn't producing significant returns, when combined with the dividend, it can help grow your portfolio.

With monthly payouts, you also get a regular stream of income, which can make the investments a great option for those in their retirement years that are looking for recurring cash flow.

Many options to diversify

REITs can be very broad and include office, industrial, residential, and mixed-use spaces. It can be a little overwhelming trying to determine which market to invest in and in which type of property, simply because there are so many options available.

This is where using an exchange-traded fund like **BMO Equal Weight REITs Index ETF** (TSX:ZRE) can be a great buy. The fund invests in many different REITs and can help take out the decision making for you. It also currently pays a dividend of more than 4.6%, slightly less than SmartCentres, but it gives you a more balanced portfolio of REITs all in one stock.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
2. TSX:ZRE (BMO Equal Weight REITs Index ETF)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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