



## Should You Buy RioCan Real Estate Investment Trust (TSX:REI.UN) or Invest Elsewhere?

### Description

Investing in real estate is more than likely the biggest single purchase that any of us will make in our lives. For many, that's an incredibly scary thought, especially seeing that real estate prices in Canada's major metro areas of Vancouver and Toronto have already priced out most first-time home buyers and investors who are being left with no option other than to consider properties that are far outside the city.

Even then, new lending rules adopted by [Canada's banks](#) and a steadily increasing interest rate are excluding many of those investors and home buyers.

While prospective home buyers can turn to the rental market, investors have another viable route — investing in a REIT. REITs offer a unique way for investors to realize many of the benefits of becoming landlords without actually needing to provide a hefty down payment and chasing down tenants for rent cheques each month. Instead, REITs offer attractive distributions, many of which are on a monthly schedule, much like rent.

**RioCan** ([TSX:REI.UN](#)) is an interesting pick worthy of consideration. The company has nearly 300 properties across Canada spread across 6,200 tenants. The vast majority of the properties are large retail locations like shopping malls, which typically have large anchor tenants that comprise some of the largest names in retail. This is a key consideration that is often overlooked, as larger retailers are more likely to continue renewing their lease and act as a magnet for customer traffic to the other stores on the property. This is one reason why RioCan's properties continue to maintain a strong occupancy rate, which, in the most recent quarter, was reported at 97%.

While commercial retail makes up the bulk of RioCan's portfolio, the company is working on an array of radical new mixed-used properties that will provide both residential and retail tenant opportunities, all of which are going to be centrally located in Canada's biggest metro areas. The concept, which is known as RioCan Living, combines the best of both residential and retail rental properties into a single property in a prime location that will cater to prospective home buyers.

In total, RioCan is initially targeting 10,000 residential units to be constructed on these new mixed-use

sites, the first several of which are slated to be completed within the next year. To finance the construction of the new properties, RioCan stated previously its intent to sell off some assets, with a target of \$2 billion cited. As of the most recent quarterly announcement, RioCan managed to raise \$1.2 billion of the stated total, putting the company well ahead of its goal.

The recent asset sales are another important consideration that prospective investors should factor in reviewing the company, as the capital injection from a sale is offset by the loss of income from disposing of a property as well as expenses related to the sale. By way of example, in the most recent quarter, RioCan reported net income from continuing operations of \$111.3 million, representing a 28% drop over the same period last year.

In terms of a distribution, RioCan offers a very attractive monthly payout, which currently has a yield of 5.77%.

### Should you buy?

RioCan is an impressive long-term option that should be part of any [well-diversified portfolio](#). While the company is very much in the midst of a transformation, the company has a plan to reach what is a very lucrative opportunity in the mixed-use properties it will offer through RioCan Living.

In short, buy the stock, enjoy the monthly distribution, and then watch the stock rise as RioCan Living really takes off.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

### PARTNER-FEEDS

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

### Category

1. Dividend Stocks
2. Investing

### Date

2025/08/26

### Date Created

2018/10/04

### Author

dafxentiou

default watermark