



## Millennials: Live the Canadian Dream and Own Some Real Estate With the Best REIT in Town

### Description

For many young Canadians, the dream of home ownership died a long time ago.

Fellow Fool contributor Kris Knutson recently gave his gloomy take on the [sad situation](#), noting that young Canadians should give up on the dream of owning their own plot of land and instead invest their hard-earned dollars on REITs, which he believes is a much wiser and lower-risk move than buying a ridiculously overpriced home in Vancouver that may not keep appreciating as it has in the past.

“There are a number of REITs that can satisfy that itch to own a piece of property you can rent out to the growing masses of renters that can’t afford a house either. And these investments can actually generate a yield to fund your retirement without needing to deal with tenants of your own.” said Knutson.

I think Knutson is right on the money when it comes to Canadian real estate. REITs are astronomically better investments even though they lack that sought-after sentimental feeling.

For prior generations, homes were the asset to own.

Sadly for millennials, times have changed as home prices have skyrocketed, outpacing the rate of inflation substantially. And with foreign buyers taxes, speculation taxes, higher interest rates, more stringent mortgage regulations, and other regulatory hurdles that aim to temper the bubbly housing market, I think it’ll be quite reckless to take on an overwhelming amount of debt to finance the purchase of a single asset.

Even if you’re one of the lucky few to be able to afford a mortgage on a Vancouver home, you may want to rethink your dream of home ownership because as an investor, you’d be breaking two huge rules.

You wouldn’t be diversified with your single property, and you’d be so over leveraged that you’ll have no financial wiggle room to do much of anything else!

You're basically investing on a massive margin on a single asset. The only difference is that foreclosure will take the place of a margin call. To make matters worse, you'll take on liquidity risk thanks to the high commissions, transaction costs, and all the sort to close a deal.

If you're thinking about paying off your mortgage by renting your property, you're probably leaving a huge chunk of change on the table by opting to go the route of a landlord.

Knutson thinks managing a property is "repulsive." To take it a step further, it's also far costlier than letting the experts at a REIT do their job. They can fix stuff up a lot quicker and cheaper than you could, after all!

**Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) is one of the REITs I'd point prospective homeowners to as a [superior alternative](#) to owning physical rental property. With shares trading at \$48 and change at writing, the dream of home ownership is finally possible! You'll own a small piece of the impressive portfolio of residential real estate, a huge chunk of which is located in the two hottest real estate markets in Canada: Vancouver and Toronto (and the surrounding areas).

In terms of total returns, CAPREIT beats out managing your own rental property any day of the week. The 2.9% yield is unimpressive, but the 130% in capital gains is remarkable for a REIT. CAPREIT sees the sticky situation that renters are in, and it's been aggressively developing and acquiring quality properties in the extremely high ROE Vancouver and Toronto markets.

With the power to raise rents substantially without suffering a steep decline in vacancy rates, CAPREIT is able to earn a massive economic profit that would only be possible in a market with a severe supply-demand imbalance.

Vancouver and Toronto are red-hot housing markets, and CAPREIT is one way to profit profoundly off other renters who are coughing up most of the proceeds from their paycheck to rent costly apartments. The situation is so difficult for young renters in these markets that it's actually become a sick joke.

Landlords have so much power that they can raise rents and "renovict" (a term coined in Vancouver meaning eviction with the intent of renovating the unit) tenants with no repercussions. For millennials looking to play the other side for a change, CAPREIT is the ultimate bet.

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1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)

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**Author**

joefrenette

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