TFSA Alert: A Great Real-Estate Stock to Buy Now

Description

It’s always good to diversify your Tax-Free Savings Account (TFSA) if you have a long-term investing horizon. One big advantage of taking exposure to different sectors of the economy is that you reduce the volatility in your portfolio.

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In my columns, I always recommend buying solid dividend-paying companies that are the leader in their sectors with a long history of rewarding their investors. One area that many investors love to take exposure to is real estate.

But owning and managing real estate assets is a difficult task for the individual investors. In Canada, it’s become even more difficult after a decade-long boom, which has made it almost impossible for young Canadians to buy properties.

For long-term TFSA investors, whose aim to build income-producing portfolio, it’s important to have some exposure to real estate, because this asset class produces returns that historically beat inflation.

One way to achieve this goal is to buy the shares of real estate investment trusts, or REITs. These instruments provide an easy way to become a shareholder in a real estate asset that gets managed by professionals. Here is a quality REIT stock you can consider buying through your investment accounts, such as TFSA.

RioCan

RioCan Real Estate Investment Trust (TSX:REI.UN) is one of the safest bets for TFSA investors. RioCan is Canada’s one of largest retail REITs, which owns, manages and develops retail-focused, mixed-use properties located in prime areas. It’s composed of 233 properties, including 16 development properties, with an aggregate net leasable area of about 39 million square feet.

To deal with a changing retail environment where consumers are adopting e-commerce and avoiding visiting to malls, RioCan is restructuring its portfolio by exiting Canada's smaller markets. The company is also increasing its footprint in Canada's strong residential market.

As part of this push, RioCan announced its new residential brand, RioCan Living. In five years, RioCan expects that up to 5% of its operating income will come from the residential segment, and in about a decade its goal is 10% or higher.

For TFSA investors, RioCan's consistent history of rewarding investors is the biggest attraction. At a time when the rates on the fixed-income investments are close to zilch, RioCan's consistently growing dividend is a great alternative. From its debut on the TSX in 1994 to its peak value in 2015, RioCan returned a total of 2,408%, including distributions.

Bottom line

If your investment objective is to earn steady monthly income, then RioCan offers a solid entry point, especially when it's well on track to transform its business in the next few years. Trading at $25.7 at the time of writing, RioCan offers an attractive 5.44% dividend yield. For buy-and-hold investors, this yield isn't bad when the best GIC rate for the five-year term is not more than 3%.

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