



Lazy Landlords: The Easy Way to Create Your Own Passive-Income Empire

Description

Being a landlord is often touted as a great way to earn passive income, but it's a lot of work.

Think about the process of finding a renter to live in your place. You have to post multiple for-rent ads, show the place a few times, properly screen the tenant, complete the paperwork, supervise the move-in process, and respond to the multiple queries your new tenant undoubtedly has.

You might think the work is done at that point, but it isn't. Rent must be deposited in the bank. Issues pop up that have to be fixed. And a responsible landlord must periodically inspect the property to ensure it isn't slowly being destroyed. Then the landlord must keep on top of their paperwork and financial records.

Add in a few more units, and it's easy to see how becoming a landlord can become a part-time job. Sure, you can outsource some of that work to a property manager, but you'll give up a big chunk of your profits to do so.

I propose a better solution. Investors should own Canada's [top real estate investment trusts](#) (REITs), which come with more benefits than just passive ownership. Some of these advantages include access to different types of property, instant diversification across the country (and sometimes even around the world), top management teams, and attractive yields.

Here are two great REITs to get you started towards your own passive-income goals.

RioCan

RioCan has long been considered Canada's finest REIT, and it's easy to see why. The owner of 230 different properties — spanning more than 38 million square feet of gross leasable area — focuses on Canada's top markets and owns high-quality property. Many people reading this regularly shop at retail real estate owned by the company.

While I'm a big fan of the existing portfolio, that's not the reason why I put some of my cash into

RioCan shares. I bought because of the company's exciting development pipeline, which consists of 14 different projects that aim to get more productive use out of existing land holdings. One prominent example is The Well, a mixed-use project located in the heart of downtown Toronto. This complex will feature 1.1 million square feet of office space, 500,000 square feet of retail and restaurant space, and some 1,800 residential units when completed by 2023.

RioCan has dozens of potential redevelopment opportunities available, although most won't be nearly this ambitious. Still, I'm confident management can use existing assets to drive a solid return on the stock.

And in the meantime, investors get to collect a generous 5.4% dividend yield — a payout easily covered by earnings.

Northwest Healthcare

Northwest Healthcare Properties ([TSX:NWH.UN](#)) owns the kind of assets a regular retail investor would never be able to purchase on their own. The company has medical office buildings here in Canada, hospitals in Brazil, a mixture of hospitals and seniors living facilities in Australia, and even property in Germany and The Netherlands. It has quietly become a global powerhouse.

It's easy to see how the company becomes bigger. Governments around the world are anxious to cut down on ever-ballooning healthcare costs, and an easy way to do so is to offload expensive properties to a private landlord. The sector in general has fantastic growth potential ahead of it, too. And the company hasn't even cracked important markets like the United States.

Shares have performed quite well over the last few months, surging nearly 27% so far in 2019. But the stock is still fairly valued when accounting for the growth potential and existing earnings. The stock could also surge higher if the [Canadian dollar cooperates](#), since the majority of its revenue comes from overseas.

Investors also get to collect a generous 6.6% dividend while holding this stock — a payout that should creep higher over time as the portfolio gets larger.

The bottom line

Some folks might prefer to slowly build a real estate empire consisting of condos in their city, but I prefer the easier and more diverse way of owning a selection of Canada's best REITs. This gives me exposure to various markets and types of property, all without the work of being a physical landlord.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Author

nelsonpsmith

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