How to Turn Your TFSA Into a Real Estate Empire With REITs

Description

Real estate has made many investors very wealthy over time.

The barriers to entry with owning and managing your own physical property are ridiculously high, though. The costs associated with running your own “mini real estate empire” with tangible property can add up, not to mention you’ll need to put in the hours to maintain the properties, the surrounding areas, and address the concerns your tenants may have at any given time. Ask any property manager, and they’ll tell probably tell you managing rental properties can be a very stressful full-time job.

While owning and collecting from rental properties may seem easy on the surface, in reality, it’s a pain in the neck. So, if you’re one of the few Canadian investors who dream of owning rental property, do yourself a favour and forget about buying and managing your own physical properties, unless you’re a seasoned handyman with the time and patience to deal with the unpleasantness that come with being a landlord.

By being a lazy landlord with a portfolio of REITs, you’re not only saving yourself a boat-load of stress; you’re likely maximizing your return on investment by letting professional property managers take care of the day-to-day operations in the most efficient way possible. And, best of all, you can use your TFSA funds to finance your REIT portfolio and eliminate your tax burden.

Enter **RioCan REIT** (TSX:REI.UN), a real estate empire that can be your one-stop-shop real estate play and the second-largest REIT in Canada. Shares offer a bountiful 5.4% yield and exposure to over 44 million square feet of net leasable area.

RioCan is behind many solid retail properties, but, as you may know, the trend in the retail real estate world is diversification, away from retail and towards residential. Brick-and-mortar retailers are under a considerable amount of pressure thanks to the rise of their digital counterparts. While retail REITs will still continue raking in their rents as long as their retail tenants aren’t going belly up, investors know that vacancy rates could trend up over prolonged periods of time as e-commerce gains more traction.

With that in mind, management changed its strategy in 2015 to redevelop a chunk of its malls to turn them into mixed-use properties (retail and residential/office) that’ll better enable RioCan to command higher rents and avoid a scenario where vacancy rates could begin swelling as e-commerce continues to wreak havoc on brick and mortar.

I’m bullish on RioCan’s long-term redevelopment plan and think it could yield significant distribution hikes and capital gains through the 2020s. If you’re looking for a one-stop-shop real estate play, RioCan is a solid bet.

Stay hungry. Stay Foolish.

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