Millennials: These 3 REITs Are Your Back Door Into Real Estate Investment

Description

The consensus among economists seems to be that the majority of millennials won't own property in their lifetimes. However, considering just how precarious an investment in brick-and-mortar real estate can be, it has to be said that it's debatable whether this is in fact a bad thing.

There is a heck of a lot of profit to be made from investment in real estate, though, with diversified, risk-spreading trusts being one of the best routes for hands-off shareholders. Let's look at three of the best real estate investment trusts (REITs) trading on the TSX and see which might be the best buy for long-term passive income.

H&R REIT

H&R REIT (TSX:HR.UN) pays a satisfying yield of 5.97% and is a great play for low-risk investment in the REIT space. It's got plenty of defensive qualities from diversification across property types to its large valuation. With assets of around $14.5 billion spread across residential and commercial properties, H&R REIT is the third-largest such trust in Canada by market capitalization.

Perhaps the main reason to buy this REIT lies beyond the size and quality of its portfolio, however: its significantly high-yielding dividend, which is paid monthly for your convenience, is well covered by cash flow and has a stable track record going back six years. For fans of ready cash coming in every month, H&R REIT is a perfect first step into hands-off real estate investment.

Dream Office REIT

Yielding a moderate 4.22% for your money, **Dream Office REIT** (TSX:D.UN) does what it says on the tin and offers cautious real estate investors an easy and diversified route to office space investment right here in Canada. The great thing about office real estate is that it's not linked directly to the housing market, meaning that holders of Dream Office REIT stock are insulated against risk in that sector while still getting income off the broader real estate industry.

With a focus on prestige Toronto properties, Dream Office is a different beast from its pre-2015 incarnation, holding a select portfolio of assets. It's a REIT that can grow, with a payout ratio in the mid-30s. This makes it an excellent long-range play if you want increasing dividends from a stripped-down REIT with exposure to big business in the GTA.

Canadian Apartments REIT

Yielding 2.82% for your investment, **Canadian Apartments REIT** (TSX:CAR.UN) is the place to start if you're looking for access to the Canadian residential market. There are big bucks to be made in this market, with rental property managers enjoying high margins from climbing rents.

While there is some risk in CAPREIT's portfolio from high-end metropolitan properties, its spread of assets covers more than 40,000 sites with an almost 100% occupancy, meaning that the cash is likely to keep flowing even in a downturn.

The bottom line

Apartment REITs are held as one of the foremost classically defensive investments one can make on the stock exchange, since accommodation is a recession-proof necessity. While this technically makes CAPREIT the best play if you're looking to add a residential REIT to your portfolio, H&R REIT may be the better investment for its higher yield and more diversified range of properties.

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