Millennials: How to Build Wealth When You Can't Afford a Home

Description

For many millennials, home ownership is becoming an unattainable dream. Although 80% of millennials report *wanting* to own a home, only 27% actually *do,* showing that the younger generation is struggling with rising home prices and declining housing affordability. Although the number of millennials that own homes has been slowly increasing, it's still lower than that of earlier generations at similar phases in their lives.

While home ownership may be out of reach for many millennials, that needn't necessarily be a barrier to wealth creation. Though a home is typically the largest investment a person will ever make, owning one isn't the only way to build long-term wealth. Not only can you gradually accumulate a high net worth by buying quality stocks, bonds, and ETFs, you can even invest in real estate by buying high-quality real estate investment trusts (REITs).

REITs are trusts that you can buy units of just like you would shares in a publicly traded company. They invest in real estate properties, letting you get into real estate more affordably than you could buy buying property directly. With high distribution income, REITs are some of the best income investments on the TSX. The following are two Canadian REITs that could help millennial investors build real estate wealth *without* the mortgage.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust (TSX:REI.UN) is one of Canada's largest REITs, with $14.1 billion in total assets. Its assets include several "trophy" properties that attract large "magnet" stores in major metro areas like Toronto and Ottawa.

RioCan is currently focusing on branching out from retail real estate into mixed-use properties and residential developments. Several of the "under development" projects on the REIT's website are fully residential, showing management's commitment to diversification. RioCan's two biggest development projects, The Well and Yonge-Eglinton Centre, are among the hottest new real estate developments in Toronto.

RioCan's units pay a distribution that yields 5.5% annually and is paid monthly.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is one of the most unique REITs in Canada. Specializing in healthcare properties like hospitals and health office space, it has a very specific niche. NorthWest Healthcare has very high occupancy rates: 95.8% in its domestic buildings and 98% in its international buildings. Because health care is a large and largely government financed industry, we can expect these high occupancy rates and low tenant turnover to persist for the long term.

In Q1, NWH increased revenue by 4.5%, operating income by 2.5%, and FFO by about 0.87% — not exactly the hottest growth ever achieved but enough to keep those monthly distributions coming. Speaking of distributions: NWH's yield is 6.77%, making it one of the best income plays on the TSX. Although investors probably can't expect the payout to increase much over time with 0.87% growth in FFO, the company should be able to keep chugging along and paying steady dividends for the foreseeable future.

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