99% of TFSA Users Could Make This Huge Mistake: Be the 1% Who Doesn't

Description

I doubt if there are TFSA investors who don't have dividend stocks in a TFSA. I'm willing to guess that 99% choose dividend stocks mostly in the banking, energy, or utility sectors. It is a common mistake, but there is 1% remaining whose preference is the real estate sector.

You belong to this savvy group if the core holdings in your TFSA are the dividend titans in the real estate sector. **RioCan** (TSX:REI.UN) and **Automotive Properties** (TSX:APR.UN) are two REIT stocks that can facilitate the growth of TFSA balance.

Top-tier REIT

RioCan is perhaps the most popular and dominant real estate stock in Canada today. This REIT has an enterprise value of over $14 billion with a property portfolio that delivers quality earnings.

RioCan's focus is in six urban markets that offer the best opportunities for rental growth. There is a low supply of properties for development and leasing. But RioCan has the expertise to create money magnets by acquiring the available properties. The company then builds commercial and retail developments.

RioCan is also venturing into multi-residential developments that other REITs, like **Boardwalk** and **Killam**, are more than willing to participate. RioCan has agreed to enter strategic partnerships with both REITs but in different projects.

RioCan and Boardwalk are partners in two huge projects in Mississauga and Calgary. The partnership with Killam is in three development projects that are underway.

This REIT pays a 5.45% dividend, which can boost your after-tax income. RioCan can also be your long-term hold if you desire to stick around be a co-landlord to the multiple rental properties.

Sturdy REIT

Do not underestimate the potential of Automotive Properties to accelerate the growth of your TFSA balance. The steady performance of this REIT belies the impression that the automotive sector is weak. As of this writing, the year-to-date gain of the stock is 36.6%.

The real estate properties in the portfolio of Automotive Properties are 61 automotive dealerships. The tenants are a mix of mass-market and luxury auto dealers catering to a cross-section of vehicle users. Cars are necessities more than luxuries in Canada, although wealthier customers buy high-end, luxury brands.

In terms of dividend, this REIT stock has a yield of 7%. A $30,000 investment can purchase 1,739 worth of shares (at $11.50 per share). At the given rate, your monthly income is $175. Price appreciation is modest at best, as Automotive Properties is a pure dividend play.

Profitable combo

There are pros and cons when investing in REITs. For RioCan, the occupancy rate is the measure of its viability as a long-term hold, while weak automotive sales are the concerns in Automotive Properties.

From an earning perspective, both REIT stocks are dividend machines. If Canada's economy strengthens, RioCan and Automotive Properties will generate profits and have plenty to distribute as dividends.

If a recession worries you, it appears that the two REITs are stable enough to ride out the temporary economic disruption. Meanwhile, you will continue to receive a steady stream of passive income.

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1. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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