How to Earn Rental Income Without Owning a Home

Description

Have you seen the home prices in and around Canada's major metro areas recently? In some areas such as Toronto and Vancouver, it's nearly impossible to find a home for under $900,000, and in most cases homes are selling for over $1,000,000.

That's a staggering amount, particularly for home owners looking to retire and move to more affordable spots in the country, but this doesn't bode too well for first-time home buyers and investors looking for an investment property.

In other words, given the current housing market, investors and would-be home owners now need to shell out $200,000 or more to qualify for what would still be an outrageous mortgage. Thankfully, REITs offer some relief to those investors.

Here's a quick look at **RioCan Real Estate investment Trust** (TSX:REI.UN) and why this could be the investment to power you to riches (and home ownership).

What RioCan does…

RioCan is one of the largest REITs in Canada, known primarily as an owner-operator of large shopping centre complexes across the country.

I realize that recommending an investment in a company with a focus on brick-and-mortar stores may seem a little odd at this day in age, but there are several key differentiators that RioCan boasts over its peers.

First, there's the diversity of RioCan's clientele. As one of the largest REITs in Canada, RioCan boasts a massive portfolio of 225 properties, encompassing an area of 39 million square feet that with a value of $14.9 billion.

Incredibly, no single retailer composes more than 5% of RioCan's portfolio of assets, which makes the real estate behemoth an attractive option for those seeking diversity.

Further to that diversity is the fact that RioCan is evolving its portfolio. As more traditional brick-and-mortar stores close in lieu of online sales, many retail REITs are forced with the prospect of declining revenue.

To counter that threat, RioCan made the decision to sell-off underperforming assets and invest the proceeds into mixed-use properties that offer both retail and residential properties in premium locations within Canada's major metro areas.

The venture, dubbed RioCan living, addresses the affordability and location issues that first-time home buyers are facing, while also diversifying the company's revenue stream away from being solely reliant retail properties.

RioCan has multiple residential developments that are actively being developed, in addition to the first RioCan Living developments that are already complete and generating revenue for the company.

In terms of results, in the most recent quarter, RioCan reported net income of $177.6 million, surpassing the $130.3 million reported in the same period last year.

Funds from operations for the quarter came in at $142.8 million, or $0.47 per diluted unit. In the prior period, RioCan reported $147.3 million funds from operations, or $0.47 per diluted unit.

Finally, let's mention RioCan's dividend. REITs offers an extremely generous monthly distribution, which currently works out to an appetizing 5.36%.

Final thoughts

RioCan is a great investment option for those investors looking for a buy and forget type of holding.

The handsome payout as well as the evolving (and lucrative) business model can provide a decade of stable growth while also allowing investors to benefit from Canada's booming real estate market.

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