



Forget Rental Properties: 2 Real Estate Stocks to Make You Rich

Description

Owning real estate can be a great investment to help supplement your income and add a passive-income stream, while realizing capital appreciation over time.

However, owning a rental property is time consuming, can come with a lot of headaches, and has a number of potential risks. Not to mention that you need a large amount of capital just to get into the market, and the transaction costs and possible financing costs can add up.

One way to invest your money in the real estate sector that will severely reduce a lot of the difficulties for investors is by buying real estate stocks instead, and these two companies are some of the most promising in the industry.

First Capital Realty

You don't necessarily need to own a residential REIT, and although residential is the most stable sector of the real estate industry, oftentimes there is more potential in other segments, because residential real estate companies are priced at a premium.

One stock that has a tonne of potential for value creation is **First Capital Realty** ([TSX:FCR.UN](https://www.tsx.com/stocks/quotes/FCR.UN)).

[First Capital](#) owns a portfolio of more than 150 properties, totalling over 23 million square feet of leasable space and worth more than \$10 billion.

The company develops, owns, and operates mixed-use urban neighbourhoods, which have the natural ability to drive economic prosperity, ensuring the long-term success of all its properties.

First Capital looks to develop in high-potential neighbourhoods with growing populations, which improves the prospects of its tenants' businesses, the convenience of residents in the neighbourhood, as well as its own long-term risk management.

Plus, its strong tenant group, which is largely made up of grocery stores, banks, pharmacies, and other

important community businesses, helps to minimize First Capital's counterparty risk.

If you own First Capital, you're owning it for the massive value-creation potential the company has, as it develops huge, high-potential developments, but on top of all that upside opportunity, the stock also pays a dividend that yields roughly 3.95%.

And with the stock trading at just 12.4 times earnings, investors can gain exposure to First Capital today at an extremely attractive valuation.

InterRent

If you prefer to have exposure to residential real estate, then your best bet would be an investment in **InterRent REIT** ([TSX:IIP.UN](#)).

InterRent is similar to First Capital in that that long-term investors will see most of their returns through capital gains rather than the dividend it pays out, as the company is the best of the best at creating new value for its shareholders.

The track record of InterRent speaks for itself, and it's kept up the strong growth, as the stock is up more than 120% in the last three years.

InterRent looks to buy older buildings in need of major updates, which it then renovates, creating major value as well as allowing it to charge significantly more in rent, so it grows its income proportionately with the value of its assets.

The major growth in the value of the assets has lifted the shares to all-time highs, and the growing revenue stream from its businesses allow it to continue to increase the dividend each year, which is why it's a Canadian Dividend Aristocrat.

The dividend yields just 1.75% today, but the company only pays out about 20% of its earnings, as it retains the rest to reinvest in its new projects.

You can gain exposure to InterRent today at a price-to-earnings ratio of 12.4 times, offering investors a big opportunity when considering the long-term prospects of the company.

Bottom line

Rental properties have long been a great way for ambitious savers to buy a safe asset that will give them a passive-income stream, but with the amount of options available to investors today, and the numerous advantages that come along with owning real estate stocks, for many, going to all that work to own a property won't be worth it.

Both these stocks have the same valuation and offer investors some major long-term upside and are capable of creating major growth for years to come.

CATEGORY

1. Dividend Stocks

2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:FCR.UN (First Capital Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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1. Business Insider
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