Lazy Landlords: This REIT Is on Sale – and Can Make You Wealthy!

Description

Being a landlord can be a real pain in the neck. It seems like an easy way to generate a safe and reliable cash flow stream to bolster your passive income. But in reality, being a landlord is its own job. It's not at all easy, especially if you're inexperienced. Amid the COVID-19 crisis, many landlords found out that being a landlord isn't all it's shaped to be —chasing tenants for the month's rent, dealing with deferrals, evictions, disruption to cash flows, and all the sort.

Fortunately, there's a better way to invest in real estate: REITs. As a shareholder in a REIT, you'll own a stake in various forms of real estate and will see rents go right into your pocket in the form of a distribution. You'll delegate the tough tasks to pros who know how to deal with issues that arise when being a landlord in a most cost-efficient manner. In terms of efficiency, REITs can offer you a far better return on your invested capital than being the landlord of a physical property.

Of course, some folks feel safer owning a tangible asset than a security that can be easily bought and sold like a stock. When you start thinking of REIT shares as pieces of a real estate empire, however, it becomes more apparent that REITs are a far better place to build wealth than physical real estate.

Lazy landlords have a generational opportunity to own prized properties for cheap

Moreover, you can expand your ownership of properties beyond the residential real estate sub-industry. You can own a piece of an office tower, like Calgary's legendary Bow Tower with **H&R REIT** (TSX:HR.UN), a part of a shopping centre with a retail REIT, or even mixed-use properties that aim to form a symbiosis between different types of tenants.

Indeed, there are lots of choices as a REIT investor. In this piece, we'll have a closer look at diversified REIT H&R REIT, which is weighted towards the office and retail properties.

Following the COVID-19 crash, H&R REIT now finds itself down over 56% from its five-year highs. Amid the rush to work and shop from home to avoid contraction of the deadly coronavirus, H&R REIT has seen been feeling a bit of pressure, as its tenant base has fallen upon hard times.

The bullish and bearish viewpoints on H&R REIT

I'm in the firm belief that investors should listen to both the bullish and bearish viewpoints of any given security before initiating a position. Further insight can help investors eliminate confirmation bias and bolster an investment thesis.

Chris MacDonald, my fellow Fool and colleague here at the Motley Fool Canada thinks that H&R REIT is to be avoided following its recent distribution reduction:

"Secular shifts are impacting H&R's performance. These shifts include work-from-home arrangements away from office-based work. In addition, there is a shift to e-commerce away from traditional brick-and-mortar-retail. We are only seeing the beginning of the impacts of these shifts. The COVID-19 pandemic has simply accelerated these trends forward."

MacDonald sees H&R REIT falling under "extreme stress" over the next one to five years amid poor rent collection numbers. While MacDonald and I tend to agree on many things, I couldn't disagree more with regards to his extremely negative outlook on H&R REIT.

I think MacDonald is far too bearish on the name. While the REIT could be under pressure over the next year or two, I believe things will improve with time, as the demand for office and retail space looks to revert towards mean levels amid a normalizing post-COVID economy.

Even the most subtle improvement will be a significant needle-mover on shares of the battered REIT, so investors should back up the truck today while the REIT's prized properties are priced as if they're going out of style.

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joefrenette