



## 2 Huge Mistakes to Avoid When Buying Real Estate

### Description

Canada's housing market has been a fantastic investment for many Canadians over the years. The prices of residential real estate have grown so much over the years; it became an ideal investment strategy for many Canadians.

The property values in different markets like Vancouver and Toronto have soared over the years. Investors who got a piece of the pie early on are wealthy individuals. However, if you are considering buying real estate right now, the situation is different.

Times have changed due to the shifts in how the real estate industry works. I will discuss two huge mistakes you should avoid when you are buying real estate today.

### Spending too much on the property

If you look at a typical person's balance sheet, most of their capital is likely invested in the house. It is true for both younger investors who have not had the time to diversify their investments. However, many people also do this as a conscious decision.

The long-term returns from housing in Vancouver and Toronto make it seem like an ideal option. However, consolidating all your assets to own a single property can put you in [a precarious position](#). Real estate is an illiquid asset that you cannot sell quickly when you require cash.

### Spending too much time managing it

Many Canadians resort to buying rental properties. If they purchase a house and rent it out to tenants, the property can generate returns for them through the rental income. The owner can become a landlord who can use the rental income to initially pay down the mortgage. Gradually, it can provide them with a substantial income.

However, being a landlord is not a way to earn passive income. It comes with responsibilities that you

need to take care of to generate income. As the owner of the property, you have to spend a lot of time managing the property. Investors who don't have the time to manage the property themselves have to hire managers who can do the job for them.

## Become a lazy landlord by avoiding both

Tying up all your money in real estate can result in you being cash poor. Even if you purchase a rental property to become a landlord, you will require spending too much time and effort managing it. There is a better way to invest in real estate.

Real estate investment trusts (REITs) like **SmartCentres REIT** ([TSX:SRU.UN](#)) can allow you to become a landlord without tying up all your money in real estate. Additionally, you can leverage the benefits of owning property without the responsibilities of managing the property.

SmartCentres is one of Canada's largest REITs that can offer you substantial returns on your investment. The REIT's valuation is \$23.82 per share at writing. At its current valuation, SmartCentres pays its shareholders at a juicy 7.77% dividend yield that it pays in monthly payouts.

Investing in the REIT can provide you with [monthly passive income](#) from owning real estate without all the hassle that comes with managing properties yourself. SmartCentres owns a portfolio of commercial properties with tenants like **Walmart** renting most of its properties. Between Walmart and the essential businesses, rent collection for SmartCentres is stable.

The REIT has more than 250 projects in the mixed-use development pipeline. It means that once the projects are complete in five years, SmartCentres can see a massive increase in cash flow and valuation.

## Foolish takeaway

Why go through the hassle of managing a property and tying up all your funds in one asset when you have a better option? Investing in a REIT like SmartCentres can let you get monthly payments that provide you a decent return on your investment. Additionally, you can trade the units of the REIT on the stock market easily if you change your mind about it.

REITs are more liquid than owning real estate and require zero effort on your part. I think that it is the future of investing in real estate, and SmartCentres could be an ideal place to begin building a lazy landlord investment portfolio.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**

2025/08/25

**Date Created**

2020/11/19

**Author**

adamothonman

default watermark

default watermark