



Become a Landlord (Without a Mortgage)

Description

Owning a rental property is frequently regarded as one of the easiest ways to generate an income stream. Apart from the recurring rent that a property provides, increasing property prices provide an avenue for growth as well. So, how exactly can prospective investors take that jump and become a landlord?

[Buying a home isn't easy](#) like it once was. There are extremely high costs to enter the market, especially for first-time buyers. In fact, the average home price in the GTA is well over \$1 million. In other words, the down payment alone is more than what a home costs in some markets.

Even if you do manage to scrape up the funds for a down payment, you still need to account for insurance, taxes, and above all, finding a tenant that can reliably pay each month.

Opting to become a landlord no longer sounds like the easiest path to generate an income stream, right?

Become a landlord — mortgage-free

Fortunately, there is a way to become a landlord without needing a down payment or having to chase down tenants. If that sounds intriguing, then **RioCan Real Estate** ([TSX:REI.UN](#)) might be the perfect investment for your portfolio.

First and foremost, RioCan is a REIT. Among other things, this means that an investment is made not in a single property but rather a large portfolio of sites. In the case of RioCan, the company boasts a portfolio of 221 properties that collectively have a leasable area of 38.6 million square feet. Just over half of those properties are located in the GTA, where demand (and rents) remains high.

Most of those sites are retail-focused, representing some of the largest retail names in Canada. There's also a defensive element to that mix. RioCan is also well diversified, with no single tenant comprising over 6% of the company's portfolio. The company also boasts an impressive 4% vacancy rate that further adds to that overall appeal.

Here's another advantage that RioCan offers

In recent years, the REIT has moved towards adding mixed-use properties into the mix. This offsets the increasing risk of catering solely to brick-and-mortar retail. For investors looking to become a landlord, this is important for a few reasons.

First, brick-and-mortar retail is in decline. Mobile commerce continues to chew into traditional retail sales, and that's not even accounting for the impact the global COVID-19 pandemic has had on traditional retail. Consumers are now increasingly shopping with their fingers, on their devices, socially distant from stores. This means that there is a diminishing need for large showroom-style retail floors. A mixed-used property decreases the reliance on retail while catering to surging residential demand.

Second, remember the astronomical prices of real estate I mentioned earlier? Huge asking prices are pushing first-time homebuyers further and further out into the suburbs. This has a direct impact to commute times and access to entertainment, shopping, and nightlife. RioCan's mixed-used properties are located in strategic areas inside Canada's major metro areas, with direct access to shopping, nightlife, and transit lines. This is in stark contrast to the still-affordable homes in the far-out suburbs I mentioned earlier.

Finally, let's talk dividends. REITs are well known for offering attractive yields and RioCan lives up to that expectation. The company offers a monthly distribution that currently works out to an insane yield of 8.34%. In case you're wondering, this handily makes RioCan one of the best-paying yields on the market.

To illustrate that attractive yield, let's consider an investment of \$15,000. That investment would provide just over \$100 in monthly income, which should be a welcome component of any well-diversified portfolio. Better yet, if you don't need the income just yet, [continue to reinvest](#) that income for future gains.

Final thoughts

Any investment, even real estate, comes with risks. Fortunately, RioCan manages that risk well. RioCan is well diversified, expanding into new markets, and provides a handsome monthly income to investors. In my opinion, RioCan is a great long-term investment for nearly any portfolio. Go on, become a landlord — and don't worry about the down payment or the mortgage.

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