



Become a Mortgage-Free Landlord

Description

When the market tumbled last year as a result of the pandemic, investment opportunities materialized everywhere. Great investments were heavily discounted through no direct action of their own. While many investments have clawed back those losses, REITs such as **RioCan Real Estate** ([TSX:REI.UN](#)) still [trade at a discount](#). This represents a unique opportunity for any investor looking to become a mortgage-free landlord.

How to become a mortgage-free landlord

There is a housing affordability crisis unfolding. The average price of a home in Canada's major metro markets is now well north of \$1 million. For first-time homebuyers, this translates into a recommended downpayment of over \$200,000. This is effectively pricing younger buyers outside of the market entirely, forcing them to look outside the immediate metro area. Moving further out does help with affordability but comes with other compromises. Specifically, this means longer commute times and reduced access to entertainment and shopping amenities found within the metro area.

The housing affordability issue noted above also set a high-entry cost for [would-be landlords](#). One of the oldest and most trusted ways to generate a revenue stream is to buy a rental property. Unfortunately, with prices as high as they are, the market has priced out many would-be landlords, too.

Fortunately, RioCan has come with a solution that addresses both of those issues. What the company offers is a new type of mixed-use development, located in Canada's major metro areas. The company is referring to these sites as RioCan Living. The properties are in prime locations, situated along transit lines and close to shopping and dining options. This means that there is now a viable option to address that gap in the market. For prospective landlords, investing in RioCan will generate a solid income stream without the headache of a mortgage.

Did someone say income stream?

One of the best things about investing in a REIT such as RioCan is collecting the dividend. This handily

beats out the traditional landlord model in several key areas. First, there's no longer a need to find tenants or to chase them down for a rent cheque each month yourself.

That need lends itself to my second point — diversification. As a landlord, there is a huge risk involved in finding (or more specifically, not finding) a tenant. RioCan is one of the largest REITs in the country, with a huge portfolio of holdings. In short, if one tenant leaves, RioCan shareholders will still receive their dividend. That factor alone will make RioCan appealing to those looking to become a mortgage-free landlord.

Speaking of dividends, RioCan offers a juicy monthly distribution. The current yield works out to an impressive 5.47%. To put that earnings potential into context, a \$25,000 investment in RioCan will generate just over \$110 each month. Not ready to draw on that income yet? Reinvesting those dividends until you need them will lead to even larger gains.

Put your investment into overdrive

RioCan is a great investment. The points made above illustrate that clearly, but there's one final point for prospective investors to note. We haven't talked about *where* to make that investment in RioCan. The REIT is a perfect investment to stuff into your TFSA that will allow your holdings to grow tax-free.

In other words, buy it, hold it, and get rich. Become a mortgage-free landlord.

CATEGORY

1. Investing

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1. Editor's Choice

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