



TFSA Investors: How to Easily Buy TSX Real Estate for Under \$5

Description

Real estate often comprises a significant portion of individual and family investment portfolios. However, many financial advisors often avoid including your family home and other similar real estate assets when drawing up a personal investment portfolio due to the difficulty of re-allocating and diversifying from physical properties. Yet including real estate into your Tax-Free Savings Account (TFSA) could maximize regular income and minimize tax expenses in retirement.

Although your home won't make it into your TFSA, the **TSX** offers an easy option to include premium Canadian real estate income and capital gains into your retirement portfolio, without any of the associated problems with direct property purchases.

Problems with direct real estate investments

Direct real estate investing may be too demanding a venture. Property management can be a daunting task that is best left to professionals to do, more so if you intend to enjoy your retirement in peace.

Even if you were to outsource management services, diversification is still a big problem at the property level. If your property's neighborhood loses its luster, the risk of income and capital losses will be significant as both tenants and buyers may flee at once. And the need for costly renovations often comes up at this difficult time. Such costs can significantly eat into cash flows right when you need them the most, plunging you into more debt.

That said, real estate is still one of the most reliable sources of regular income in retirement. TFSA portfolios can enjoy tax-free real estate exposure through Canadian Real Estate Investment Trusts (REITs). REIT investing eliminates all known property management headaches. And the trust's properties are usually managed by some of the best career property managers in the country.

TFSA investors can easily buy into REITs for both tax-free capital gains and juicy income yields, and yet be able to diversify the portfolio in one click or a tap on a smartphone screen and move into another asset as they desire. The convenience this asset class offers is priceless. Moreover, REIT units can be priced even as low as \$5 each. Rather than saving up for ages for that down payment on

a first home, just \$5 can get one immediate exposure to top-quality real estate today.

One such opportunity is available today. Let's take a look.

You can buy BTB REIT units for under \$5

BTB Real Estate Investment Trust ([TSX:BTB.UN](https://www.btbreit.com)) is a diversified REIT with 64 internally managed properties offering a total of 5.3 million square feet of office, retail and industrial leasable area. Its properties are located in Quebec and Ontario.

Despite a total of four bankruptcies declared by tenants during the second quarter of 2020, occupancy rates remain strong at 92.2% by December 31, 2020. Most noteworthy, rent collections have recovered. The trust had collected 100% of its fourth-quarter 2020 rent by March 12.

BTB's 2019 rent revenue was \$93.6 million and dropped by just 0.7% for 2020. The trust has a resilient portfolio that survived a COVID-19 blow.

Analysts expect BTB to grow its annual rental revenue by 8.4% to a new record of nearly \$101 million in 2021. The trust could surpass the \$100 million annual revenue run rate for the first time ever this year.

Trustees had to cut BTB's monthly distribution by 29% during the second quarter due to pandemic-induced uncertainty. The current \$0.025 monthly distribution yields a juicy 6.9% annually. Further, investors can BTB's Distribution Reinvestment Plan (DRIP) and buy BTB units at a 3% discount, without incurring trading expenses.

Most noteworthy, BTB's distributions are now safer than ever. The adjusted funds from operations (AFFO) payout rate improved from 111.9% in 2019 to 97.1% in 2020. Actually, the AFFO payout rate improved to 76.3% for the fourth quarter of last year. This makes the trust's payout one of [the safest REIT payouts in Canada](#). BTB's AFFO per share could increase by 3% in 2021. Perhaps the distribution could follow suit in the near future.

As long as interest rates remain low in the near term, BTB's debt ratio at 59.4% today won't be a concern.

Currently priced at \$4.37 a unit, BTB REIT's equity units offer easy TFSA portfolio exposure into the Canadian premium real estate market for small investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BTB.UN (BTB Real Estate Investment Trust)

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1. Business Insider
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Author

brianparadza

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