



RioCan (TSX:REI.UN): Investing Here Makes Perfect Sense

Description

Is your portfolio diversified? Finding the right mix of investments that can provide growth and income which is important to any portfolio. Finding that perfect mix can make the difference between retiring early or working into your golden years. To put it another way, if you can find the right stock, investing here makes perfect sense for long-term gains. So, where exactly is here?

A great option that can serve both the income and growth needs of investors is **RioCan** ([TSX:REI.UN](#)). For those that are unfamiliar with RioCan, the company is one of the largest REITs in the country. RioCan manages a portfolio of 223 properties across Canada. Many of RioCan's tenants represent some of the largest businesses in the retail and finance segments of the economy. Those tenants typically come in the form of large anchor-tenants situated in large retail areas, such as malls.

Overall, those tenants provide a stable base for the REIT, contributing to an impressive 95% occupancy rate.

The problem with the current housing market and RioCan's traditional business

Canada's housing market remains white hot. The average price of a home in Vancouver and Toronto is now well over \$1.3 million and continues to rise. This effectively prices first-time homebuyers out of the market (unless they have a cool quarter-million stashed away for a downpayment).

Instead, first-time buyers are now forced to move out into the suburbs, where home prices are a bit lower. Unfortunately, that means longer commute times, and decreased access to the dining and entertainment options that younger first-time homebuyers often look for.

In a similar vein, consumer shopping habits are changing. Specifically, consumers are increasingly turning to mobile commerce options in lieu of traditional brick-and-mortar retail. While the COVID-19 pandemic was the latest catalyst to this mobile shift, the change was already happening pre-COVID.

This presents a challenge for RioCan, which while diversified, still has an overreliance on large traditional retailers.

Fortunately, RioCan has come up with a solution to both these issues, which will also provide years of growth.

The RioCan solution

RioCan's solution is simple, yet brilliant. The REIT is investing in mixed-use properties that will have both retail and residential units. This approach allows RioCan to both redevelop existing underperforming retail locations as well as expand into new in-demand areas.

An important part of RioCan's solution includes *where* those new mixed-use properties are. That's where the point I made above about access to entertainment becomes relevant. Across RioCan's expansion initiatives, the REIT has targeted a whopping 30 million square feet of new developments in the GTA, all of which are situated along transit corridors. This meets the dual needs to provide much-needed supply to the housing market in metro areas, while also reducing the reliance on larger retail sites.

Furthermore, RioCan's move to mixed-use properties could arguably be seen as [defensive](#) in nature. That only furthers the view that investing here makes perfect sense at the moment.

Why investing here makes perfect sense

While RioCan's enviable market position and superb growth potential can cater to growth-focused investors, the REIT also provides income-earning capabilities.

RioCan offers investors a handsome monthly distribution that works out to an impressive 5.02% yield. To put that earnings potential into perspective, an investment of \$30,000 will provide \$125 in income each month. This factor alone makes RioCan one of the [better income options on the market](#).

In other words, RioCan is a great long-term investment option for both growth and income-focused investors. Perhaps best of all, is that investment, which can be viewed like rental income, doesn't require a massive mortgage downpayment.

Buy it, hold it, and get rich.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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