



## Avoid the Housing Market: Earn Rental Income From REITs

### Description

Are you are a property investor looking to expand your portfolio with more investment properties to generate passive income? In that case, the red-hot housing market might not be the most accessible industry to consider. Residential real estate prices have continued soaring, despite the pandemic.

Current homeowners might be enjoying the substantial price appreciation in the market today. However, prospective investors might find the high prices inaccessible. The combination of a low-interest-rate environment and prospective buyers with greater savings due to the pandemic could prove to be problematic. A significant correction could result in substantial losses for real estate investors.

Investing in real estate investment trusts (REITs) could be a far better alternative to buying a house at today's prices if you want to generate rent-like income from your investments. Besides the passive income, you can enjoy a lower cash outlay and not risk gambling any capital in a [housing market bubble](#) that could burst at any time.

### Summit Industrial

The industrial sector could be a much better real estate segment to consider than the residential segment as the housing bubble continues to grow. **Summit Industrial REIT** ([TSX:SMU.UN](#)) is a perfect asset to represent the industrial real estate sector. The high demand for industrial properties makes the \$3.04 billion market capitalization REIT an ideal asset. The REIT owns and manages several high-quality light industrial properties in prime locations across Canada.

The e-commerce boom has been a growth driver for the light industrial sector, and Summit Industrial REIT has enjoyed the development. The REIT has a competitive edge over its peers due to the generic use of its properties available for lease. Tenants can use its properties to set up storage facilities, call centres, shipping plants, distribution hubs, warehouses, and even light assembly plants. The REIT's revenue increased by 13% in Q1 2021 compared to the same period last year, alongside an increase of 14.2% in its net rental income.

The REIT recently acquired a single-tenant warehousing and logistics facility in Ajax, Ontario, for \$68 million. Its management has also announced plans to expand development projects in the Greater Toronto Area, making it a more attractive asset to consider for your portfolio.

## Northwest Healthcare Properties

**Northwest Healthcare Properties REIT** ([TSX:NWH.UN](https://www.tsx.com/stocks/nwh-un)) has become one of the top assets for investors interested in the real estate sector during the pandemic. The \$2.72 billion market capitalization REIT is the only REIT operating in the healthcare sector. The company's diverse portfolio consists of a diverse mixture of income-generating assets, including clinics, medical office buildings, and hospitals.

The REIT's assets are located throughout Canada, Europe, Brazil, Australia, and New Zealand. The company partners in the jurisdictions with leading healthcare operators in the different regions where it has properties, allowing it to generate substantial and reliable rental income. The company's management recently announced that it purchased another campus of four medical office buildings in the Netherlands, further expanding its reach.

NWH plans to fully acquire the **Australian Unity Healthcare Property Trust**, adding to its geographic expansion and ability to generate more cash flows.

## Foolish takeaway

The federal government recognizes the dire economic problems a major housing market correction could cause for the Canadian economy. The rising housing prices are unsustainable and could prove to be problematic for an economy that leans heavily on the real estate sector.

June 1, 2021, saw new restrictions surrounding mortgage stress tests come into effect in Canada. The government plans to proceed with further intervention to tackle the [red-hot housing market](#) to make it more sustainable.

Until the government can successfully make the residential real estate segment more approachable for investors, it might be better to stick to investing in REITs belonging to other segments of the Canadian real estate sector.

Summit Industrial REIT and Northwest Healthcare Properties REIT could be ideal assets to consider for this purpose. Adding the REITs to your [Tax-Free Savings Account](#) could let you earn passive monthly income without incurring taxes.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

2. TSX:SMU.UN (Summit Industrial Income REIT)

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