How to Buy an Income-Producing Property Without a Mortgage

Description

Canada's real estate market continues to push well into the stratosphere. The average price of a home in the Greater Toronto Area is now well above $1 million — and that may be for an older semi-detached fixer-upper. This presents a growing challenge for first-time buyers, as well as prospective new investors looking for an income-producing property.

Fortunately, for those investors, hope comes in the form of **RioCan Real Estate** (TSX:REI.UN)

Say goodbye to rental property mortgages

One of the biggest challenges in spinning up a rental property is getting the down payment. With soaring home prices, getting that upfront capital has gone from hard to nearly impossible. Even then, those investors are left with finding a tenant and chasing them down each month for rent.

Fortunately, there is a better option, that doesn't require a mortgage OR chasing down tenants.

RioCan is one of the largest REITs in Canada. The REIT has traditionally been focused on commercial retail properties, such as those found in malls. That focus has changed in recent years, and RioCan is now growing its residential portfolio.

And that is where investors can say goodbye to income-producing property mortgages altogether.

Let's talk RioCan Living

RioCan living is the name that RioCan is using for its growing residential segment. The properties are located in Canada's major metro areas, along transit corridors. This is a huge advantage to younger would-be tenants, who want to be centrally located close to jobs and entertainment.

As an investor, this means that your investment is helping to generate a stable and recurring revenue stream for RioCan. That revenue stream is then passed back on to investors as a monthly dividend.

Speaking of which, that dividend works out to an appetizing yield of 4.27%.

To put that earnings potential into context, a $20,000 investment will generate just shy of $90 per month. A larger amount, such as $250,000, which could be used as a down payment on an income-producing property, will yield nearly $890 each month. Keep in mind that the investment outlined here would be mortgage-free, tenant free and if in your Tax-Free Savings Account (TFSA) tax-free.

Oh, and keep in mind that if you aren't ready to draw on that income yet, it can be reinvested until needed. This could drive your potential future income up considerably. There's also the fact that RioCan boasts a compound annual growth rate into double-digit territory going back over two decades.

Incredibly, as appealing as that sounds, there's still *more* to love about RioCan.

Welcome to your income-producing property

One of the core reasons why the company transitioned toward residential properties was the shift in consumer tastes. Shoppers are increasingly doing purchases online, which means less traffic to brick-and-mortar stores. RioCan's move into residential is not only meant to diversify but also to pivot the company toward long-term trends. This provides an impressive defensive appeal to the stock.

That's not to say that RioCan is stepping away entirely from commercial retail, however. Instead, RioCan living residential sites are developed above several floors of retail. In other words, those properties can cater to both residential and retail, providing even more defensive appeal.

In my opinion, RioCan is an excellent long-term investment that can substitute for any income-producing property. Buy it, hold it and watch it grow.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. arosenberg
2. dafxentiou

Category

1. Investing
2. Stocks for Beginners

Date
2025/09/10
Date Created
2021/08/31
Author
dafxentiou