



## 1 Top REIT to Buy Instead of Buying Investment Property Today

### Description

The Canadian housing market was on an incredible roll in 2020, despite the economic fallout from the pandemic. The initial shock with the onset of COVID-19 did not last very long, as equity markets began a rapid recovery. The housing market also benefitted from the shock wearing off, as activity in the market resumed with rigor.

The price of the average Canadian house rose by 31.6% on a year-over-year basis in April 2021, and it seemed that the market would not lose its momentum. However, the Canadian Real Estate Association (CREA) recently reported figures stating otherwise.

CREA said that seasonally adjusted home sales in July were down 3.5% from June and a massive 28% down from the March peak. The stimulus programs, low interest rates, reduced discretionary spending, and the need for larger homes as people mostly stayed at home created ideal conditions for Canadians to buy new homes.

This month sees the end of the stimulus programs, unless the Canada Revenue Agency (CRA) decides to extend the benefits. Combined with rising inflation rates, it is possible that the factors contributing to a booming housing market might soon dissipate. A [correction](#) might be underway, and it would make sense to be wary of looking to the housing market to buy investment properties.

[Dividend investing](#) might be a better way to generate rent-like income instead of buying a house in the current market conditions. Today, I will discuss an alternative to residential real estate investing that you can consider instead.

### Rising debt problems

Another reason the housing market could be going through a correction is the rising mortgage debt. The Bank of Canada has long worried about how Canadians have been trying to purchase houses by taking on mortgage debts and putting themselves in a precarious financial position. The total mortgage debt in Canada has crossed \$1.7 trillion.

While most of these mortgages come with low interest rates, rising inflation could make it a problem for Canadians to keep up with timely payments.

## An alternative to buying investment properties

The situation in the housing market is worrisome as the prices are already declining, and there is no indication of when the Bank of Canada will raise interest rates to stifle the excessive buying that led to rising home prices throughout the country.

Real estate investment trusts (REITs) like **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](https://www.nwh.un)) present you with a much better alternative to gain exposure to the real estate sector than buying investment properties. REITs provide you with many benefits of homeownership, including monthly income and security, but without the drawbacks of a massive cash outlay and the hassle of maintaining rental properties.

NWH.UN operates in the healthcare sector. The company owns a diversified portfolio of healthcare properties, with most of its portfolio in Canada and Europe. Since the government funds healthcare in both regions, the company can continue generating revenues without worrying about reduced vacancy rates or rent collection.

If you want to enjoy a monthly income like a landlord without the drawbacks of owning an investment property in the current market environment, a REIT like NorthWest Healthcare could be a far better alternative to buying a house for this purpose.

## Foolish takeaway

With inflation rates affecting purchasing power for Canadians, and the risk of a significant correction for the housing market, it might be better to steer clear of investing in the housing market to generate monthly returns. Fortunately, not all exposure to the real estate market carries substantial risk.

You can invest in shares of assets like NorthWest Healthcare Properties REIT to generate [monthly rental-like income](#) as a lazy landlord without the risk of investing in a volatile segment of the real estate market.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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

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