



Rental Property Investors: Buy This Stock Instead of Property!

Description

Have you *looked* at home prices lately? If you happen to live in some of the larger metro areas of the country such as the GTA, your home is probably worth well north of a cool million right now. Keep in mind that every home has shifted into the seven-digit territory. That leaves prospective rental-property investors and would-be homebuyers priced out.

In case you're wondering, the *recommended* down payment is still about 20% or \$200,000 on that cool million-dollar home, if not more. Now, even if you *do* have that \$200,000 laying around to drop on a down payment, the payments on an \$800,000 mortgage would be crushing at best.

So, is there a solution to get first-time buyers and rental property investors into the market?

Fortunately, there *is* a solution

As it stands, both first-time home buyers, and prospective rental property investors are now forced to buy property far off in the suburbs. Prices there are a little more affordable, but it introduces other problems.

Commute times are significantly longer and access to the entertainment and amenities first-time homebuyers seek are minimal. That less than appealing fact makes those far-away homes unappealing for the latter group of prospective landlords.

This is where **RioCan** ([TSX:REI.UN](#)) can provide a solution to both. RioCan is one of the largest REITs in Canada. The REIT has traditionally focused on commercial retail properties in the past but has turned to the residential market in recent years.

Specifically, RioCan offers a growing portfolio of mixed-use residential and retail properties. The segment, known as RioCan living, typically consists of residential towers built atop several floors of retail. The properties are located within Canada's major metro areas, close to transit lines. So far, RioCan has developed these mixed-use properties in Toronto, Ottawa, and Calgary. RioCan has plans to add other sites across the country over time.

Rental property investors can forget about the mortgage payment

The idea definitely sounds intriguing for both homebuyers and investors. Another benefit for prospective rental-property investors is that they need not worry about maintenance, finding tenants, and collecting rent. Additionally, RioCan's portfolio is well diversified. The REIT has hundreds of units spread across multiple properties. In total, the REIT boasts over 200 properties, adding to the overall appeal of the stock, while also reducing risk.

Speaking of risk, RioCan's retail properties consist of [necessity-based businesses](#). Think grocers and pharmacies. Contrast this to a home-buying rental property investor who is tasked with maintenance and tenants.

Perhaps the best part of owning RioCan is the distribution. Similar to a landlord collecting monthly rent, RioCan pays out monthly too. As of the time of writing, RioCan boasts a yield of 4.20%. To put that earnings potential into perspective, a \$40,000 RioCan investment will generate \$140 of income each month.

Perhaps best of all is that investors who aren't ready to draw on that income can reinvest it until needed. This could lead to further growth over time. If that investment were in a Tax-Free Savings Account (TFSA) it would be tax-free too.

Suddenly the 30-year mortgage payment, property taxes, maintenance fees, and finding a viable tenant doesn't look as appealing.

Final thoughts

The advantages for rental-property investors considering RioCan are huge. RioCan is a well-diversified investment that boasts significant growth and income-generating capacity. In my opinion, RioCan should be part of every well-diversified portfolio. Buy it, hold it, and [let those dividends grow](#).

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