How to Generate Passive Monthly Income From Real Estate Without Actually Owning Any

Description

Owning and managing a rental property is one of the best ways to create a consistent source of monthly passive income. In addition to collecting rent, you also have the possibility of benefiting from price appreciation as property prices increase over time, allowing you to sell later for a large capital gain.

The pain points of owning real estate

Despite these benefits, owning physical real estate is not for everyone. Some people find the start-up costs of a down payment prohibitively expensive, especially in the red-hot Canadian housing market. Your ability to successfully finance and service a mortgage might be at risk if the market does poorly or if you have difficulty attracting good tenants.

Successfully managing a rental property also takes a significant amount of time and energy. As a landlord, you're responsible for dealing with tenant issues, maintenance emergencies, and renovations. Finally, real estate is a relatively illiquid asset, which makes it difficult for you to sell quickly if you need cash in a hurry.

The case for buying a REIT

A low-cost, accessible way to gain exposure to the real estate sector is to purchase and hold shares in a real estate investment trust (REIT). You can think of REITs as corporations that act like mutual funds for real estate holdings. They pool the capital of numerous investors, invest in real estate, and pay a distribution through the underlying rental/lease income generated.

REITs offer you the ability to participate in price appreciation without the high initial entry or maintenance costs of owning physical real estate. Investing a large sum in REITs could also provide you with a consistent amount of monthly passive income, with little maintenance required beyond logging in to your brokerage account.

Unlike real property, shares in REITs trade on stock exchanges and are liquid, making it easy to buy and sell when you want. These shares can be held like any other qualified investment in a TFSA and RRSP, allowing for tax-free or tax-deferred distributions and capital gains.

Which REIT to pick?

Investing in REITs allows you to select the particular sub-sector in the broader real estate market you want exposure to. REITs can invest in different types of property holdings, such as residential, industrial, office, and retail. Different sectors have varying levels of distribution yield and risk, so you can pick and choose to match your passive-income needs.

Are you bullish on residential property? Purchase shares of **Canadian Apartment Properties REIT** for a 2.43% distribution yield. Do you think office property will rebound? Park your capital in **Allied Properties REIT** for a 3.83% distribution yield. Do you predict that industrial property will outperform? Invest in **Granite REIT** for a 3.02% distribution yield.

Can't I just buy them all?

If you're not sure which to pick, you can make a broad bet on the entire real estate sector by investing in an exchange-traded fund (ETF) that holds a well-diversified portfolio of various REITs.

For example, **Vanguard FTSE Canadian Capped REIT Index ETF** tracks the aggregated performance of 15 REITs across all sub-sectors and boasts a distribution yield of 2.98%. This makes it perfect as an easy, accessible, set-and-forget real estate investment play.

Regardless of your chosen REIT, one thing is certain: they can be some of the best choices for an investor focused on maximizing passive monthly income with little effort.

CATEGORY

1. Personal Finance

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)
4. TSX:VRE (Vanguard FTSE Canadian Capped REIT Index ETF)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. tdong

Category

1. Personal Finance

Date
2025/08/13
Date Created
2021/11/19
Author
tdong