



## Passive-Income Stock: Better Than Rental Property Income

### Description

Buying a property to generate a rental income stream is a long-coveted option for many investors. Finding tenants, screening them, and ensuring that they pay rent on time can cause unnecessary stress for landlords. Fortunately, there's another option to consider that is better than a rental property income.

That intriguing opportunity to consider is **RioCan Real Estate** ([TSX:REI.UN](#)). Let's look at that opportunity and what it means for your portfolio.

### The grass isn't always greener on the other side

In addition to the ongoing worries of tenants, potential landlords have a host of other concerns. Additionally, there are taxes, unexpected repairs, and frequent maintenance issues. All of these have the potential to dig deep into any potential rental income stream.

Perhaps most alarmingly is the mortgage on the property itself. Home prices across Canada's major metro areas are now well north of a cool \$1 million. The mortgage on that property will likely exceed any potential rental income. It's not like everyone has a quarter-million sitting in the bank for a down payment, right?

As a result, that unaffordability of homes is pricing first-time homebuyers, out of the market entirely. This is also forcing those homebuyers to move well outside of core metro areas.

RioCan has something that caters to both of those problems. In fact, investing in RioCan can actually be better than a rental property income.

### RioCan offers what investors and prospective homeowners need

For those that are unaware, RioCan is one of the largest REITs in Canada. The company has a

sprawling portfolio of properties. The focus of those properties has been on commercial retail. In recent years, that focus has shifted towards mixed-use residential properties.

Worth noting is that RioCan's tenant list includes some of the largest and most stable businesses in Canada. Think anchor tenants in a strip of stores, banks, and large retail. RioCan is also well-diversified so that no single tenant constitutes a majority of the company's portfolio. In total, the REIT boasts 210 properties with nearly 37 million square feet of leasable area.

While the impressive baseline of retail tenants is impressive, it is those mixed-use properties that hold real long-term potential.

## **This new untapped market has massive potential**

Traditional retail, particularly shopping malls, are seeing a decline in traffic. That trend started well before the pandemic, but COVID certainly helped push the needle further. That change was brought about by the increase in mobile-first shopping trips.

So, what did RioCan do? RioCan is developing mixed-use properties with residential units built above several floors of retail. The properties are developed in major metro areas of Canada, where home prices are well into the stratosphere. Further to this, some developments can be targeted on existing retail sites that are seeing steep declines in traffic.

In short, RioCan is evolving its business to match a changing opportunity. This new mixed-use segment also addresses both the homeownership and pricing concerns. But what about would-be landlords?

## **Earn some income that is better than a rental property income**

RioCan offers investors a juicy distribution that carries a yield of 4.37%. Even better, like a rental property, that distribution is paid out monthly. To put that earnings potential into context, let's look at a \$100,000 investment. Not only is that far less than the recommended down payment, but it can provide just over \$360 each month.

Perhaps best of all is the potential to reinvest and [grow that income further](#). Potential investors can buy RioCan as part of their TFSA and reinvest those distributions until needed. Over the longer term, that income will be significantly higher (and tax-free).

Finally, remember that, unlike a rental property, that distribution comes from hundreds of properties and not just one tenant. That factor alone might be enough to convince prospective landlords to buy RioCan over buying a property.

In my opinion, a position in RioCan should be part of every well-balanced portfolio. Not only is it better than a rental property income, but RioCan is a [perfect buy-and-forget](#) investment.

### **CATEGORY**

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