



Passive Income: 3 TSX Stocks Better Than a Rental Property

Description

Passive income can come in many forms: a small business, a private venture, a rental property, or commercial real estate. However, while these incomes streams are often associated with “passive income,” they are often far from passive.

Owning an income property is far from passive

For example, buying and renting out a house, condo, or commercial property can be incredibly time consuming and costly. You have repairs and maintenance, tenant management, bad debt recovery, cost management, and leasing expenses, to name a few.

After expenses and factoring in your time involvement, returns are often not as attractive as initially anticipated. Likewise, properties are not a liquid asset, so if you need to sell one quickly, that can be challenge. The point here is not to discourage one from buying a rental property. Rather, it's to consider that there are other options for passive income, like [equities](#).

A value-priced real estate stock

One passive-income stock that looks really attractive today is **European Residential Real Estate Investment Trust** ([TSX:ERE.UN](#)). It operates a large portfolio of multi-family properties in the Netherlands. The Netherlands is an ideal multi-housing market because of high population density, low new housing supply, and rising immigration.

Even through the pandemic, European Residential enjoyed stable +98% occupancy and very little bad debts. Today, this REIT is seeing very robust rental demand and high single-digit rental rate growth. On top, the REIT has added over €180 million worth of properties to its portfolio this year.

This passive-income stock pays a nice 3.6% distribution. Today, this stock trades at a material discount to peers, despite largely outperforming most peers in 2020 and 2021. To me, it is an easy way to collect a nice monthly [dividend](#) and some strong capital upside in 2022.

An infrastructure stock for passive income

Another passive-income stock I would rather own than a rental property is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). I will never have the capital or expertise to buy a pipeline, port, railroad, or data centre. However, through Brookfield I get exposure to these types of essential assets and more.

[Infrastructure assets](#) are highly contracted or regulated, so their streams of cash flow are predictable and reliable. When inflation is rising, Brookfield benefits because many of its asset contracts are inflation indexed. Likewise, it gets to enjoy higher volumes and margins from increased demand for its assets.

This passive-income stock pays \$0.51 distribution per unit every quarter. That is equal to 3.5% dividend yield today. BIP has grown that distribution consistently by 7-9% annually, so chances are good its dividend will rise again next year.

A top pipeline stock

For an elevated stream of passive income, investors may want to consider **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Today, this stock is yielding 7.1%. That is equal to an \$0.86-per-share dividend every quarter. It expects to keep growing its dividend annually by 5-7% going forward.

Enbridge operates one of the largest energy infrastructure networks in North America. In fact, its pipelines are crucial to the flow of 20% of oil produced on the continent. Yet Enbridge is also very active in the energy transition process. It is building out a large renewable power portfolio and investing heavily in natural gas and alternative fuels infrastructure.

After a recent decline, Enbridge stock looks attractively priced. It is offering one of the highest safe yields on the TSX, so investors get nice compensation while they wait for the stock to recover.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:ERE.UN (European Residential Real Estate Investment Trust)

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Author

robbybrown

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