Do You Want to Generate Rental Income From Real Estate? Buy These 2 Stocks Instead

Description

Saving and investing your money can unlock many doors in helping you secure a strong financial future. Depending on your short- and long-term goals, investing your capital can help you create a passive-income stream to supplement your active income.

If you don't need additional money to help with your monthly expenses, you can reinvest the returns to accelerate your wealth growth for the golden years of your life.

Investing in real estate could be an excellent way to park your capital and generate a passive income through rent. Additionally, the value of real estate only increases in the long term. You can sell your investment property years after you bought it to enjoy considerable profits on your initial investment.

Unfortunately, buying a house as an investment property to generate rental income is becoming increasingly challenging for Canadians today. The red-hot housing market does not appear to be cooling down anytime soon.

If you want to buy real estate as an investment property, there might be a better way to generate rent-like income without the cash outlay required to buy a house: real estate investment trusts (REITs).

REITs are great investments because they trade like stocks on the TSX. You can earn a monthly passive income through their monthly distributions based on how many shares you own. You can go for a cash outlay that is more affordable for you to create a passive-income stream on your terms. Today, I will discuss two REITs you could consider to generate rental income.

CT REIT

CT REIT (TSX:CRT.UN) is a REIT you could consider investing in if you want high-yielding investment returns but not aggressive growth through capital gains. CT REIT is a $1.91 billion marketcapitalization REIT that strikes a balance between delivering decent monthly distributions and long-term capital gains.

CT REIT generates 90% of its revenue through **Canadian Tire,** and 96% of its revenue comes through reliable tenants that can continue providing the company with decent cash flows. These factors can allow the company to deliver decent dividend hikes, evidenced by the fact that it has raised its shareholder dividends at a CAGR of 3.9% over the last five years.

CT REIT trades for $17.93 per share at writing, and it boasts a juicy 4.65% trailing 12-month dividend yield.

InterRent REIT

InterRent REIT (TSX:IIP.UN) is a $2.12 billion market capitalization REIT headquartered in Ottawa. InterRent specializes in residential real estate and delivers significant wealth growth through capital gains. It could be a viable REIT to consider if you feel comfortable with compromising on the monthly distributions for more aggressive capital gains.

InterRent focuses more on using its cash flows to invest in growth. The REIT constantly looks for more properties that it can acquire to expand its portfolio. It invests a considerable amount in renovations to upgrade its portfolio for better income. This approach might result in lower monthly distributions for its investors, but InterRent REIT makes up for it through capital gains.

InterRent REIT trades for $15.08 per share at writing, and it boasts a 2.20% trailing 12-month dividend yield. Its current valuation translates to capital gains of over 294% in the last decade.

Foolish takeaway

Investing in REITs could be a viable way for you to earn a passive income like a lazy landlord. Besides the lower amount you have to pay upfront, you also don't need to deal with the hassles of owning and maintaining rental properties.

REITs handle all those aspects for you and provide you with a share of the profits in monthly distributions. Consider investing in REITs like CT REIT and InterRent REIT if you are searching for a way to generate truly passive income through real estate.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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