2 Stocks to Counter Rising Home Prices

Description

Rising home prices remain a concern for both first-time homebuyers as well as would-be landlords. With the average price of homes in Canada's metro areas well north of $1 million, many Canadians seeking an investment property are now priced out of the market.

Fortunately, not all hope is lost. There is a way for would-be investors to generate a revenue stream similar to a monthly rental cheque. Even better, you don't even need tenants.

Here are some stocks that can help you create that passive-income stream.

Earn a monthly income without a mortgage

RioCan Real Estate (TSX:REI.UN) is one of the largest REITs in Canada. And while RioCan's portfolio is largely commercial real estate (think shopping malls), that allocation is changing.

Specifically, the company is shifting more towards mixed-use residential properties, and that's where the opportunity lies. RioCan is actively developing residential towers situated atop several floors of commercial retail. These properties, known as RioCan Living, are situated along high-traffic corridors across the in-demand areas of Canada's metro areas.

Those prime locations make them great candidates for individuals that need a place to live in the city, where putting $250,000 down on a home is not an option. For investors, it means a lucrative potential income stream that is spread across hundreds of units in dozens of properties.

That income stream comes in the form of a monthly dividend. The current yield works out to a tasty 4.20% yield. This means that a $35,000 investment in RioCan will earn a monthly income of just over $122.

In other words, investing in RioCan is a great way to counter rising home prices while still accomplishing your investment goals.

More income from an underserved, dismissed segment

Allied Properties (TSX:AP.UN) is another REIT to consider. Allied is a well-diversified REIT with nearly 200 properties primarily located in major metro areas. Unlike RioCan which has residential and commercial retail, Allied's portfolio is primarily office buildings and data centres.

In case you're wondering, there's still a lot of renewed interest in office buildings. Many workers that shifted to a remote working environment during the pandemic are now transitioning into hybrid roles. During that exodus from the office, Allied closed 14 deals on properties in 2021. Those properties are located in high-demand areas of Calgary, Montreal, Toronto, and Vancouver.

In terms of income, Allied offers a yield of 4%, and, like RioCan, is paid out on a monthly basis. Using that same $35,000 example investment, monthly earnings from Allied will amount to $116.

Counter rising home prices without worry

Both Allied and RioCan are unique investments that warrant a small position in your portfolio. While neither investment is without its own share of risk, they both offer growth and income-earning potential that should do well in any well-diversified portfolio.

Both investments also do well as an alternative to acquiring investment properties. Specifically, they both do well to counter rising home prices in the market, which shows no signs of slowing down.

In short, buy them, hold them, and watch them grow.

CATEGORY

1. Investing

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2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Date
2025/08/13
Date Created
2022/04/28
Author
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