Can’t Afford a House? Here’s a Cheaper Way to Become a Landlord

Description

It’s 2022, and Canadian housing is still extremely expensive. Last month, the average price of a Canadian home fell 3% sequentially yet remained nearly $800,000. It looks like the Bank of Canada’s rate hikes are having some cooling effect on housing, but prices still have a long way to go before they are within reach of the average Canadian. According to Jobillico, the average Canadian salary is $65,000 per year. The average price of a home is about *12 times* that amount.

If you feel like you can’t afford a home, you’re not alone. Many Canadians — especially younger Canadians — are in the same boat. Canadian housing is genuinely expensive compared to most of the rest of the world. For example, Canadian houses cost twice as much as U.S. houses in raw dollars, or 1.7 times adjusting for the exchange rate. So, it’s not just you: houses really are just that expensive.

If you want a house to live in, your options are sadly few. For now, you may have to keep renting. But if you want to *invest* in real estate, you’re in luck. You can invest in real estate directly on the stock market and generate huge yields that easily compare to what you’d get with a rental property. In this article, I will explore how you can start building your own stock market traded real estate portfolio today.

Invest in REITs

Real estate investment trusts (REITs) are pooled investment vehicles that hold diversified portfolios of rental properties. They often invest in assets like

- Malls;
- Apartment buildings;
- Healthcare office space;
- And more.

In fact, there are even REITs that invest in things you may not consider real estate, like farms and timber land. The breadth of opportunity available in the REIT space is endless, and most REITs sport very high yields that adds consistent income to your portfolio.

Easy to get started

One big advantage of REITs over rental properties is that they are very easy to get started with. Consider **Northwest Healthcare Properties** (TSX:NWH.UN) for example. It is a very strong REIT that has great characteristics like

- High occupancy;
- High collection rates; and
- Very little tenant turnover.

If you were a landlord, you'd thank your lucky stars if your rental properties had these characteristics. If you don't believe me, ask any landlord how many problems they've had with collections and repairs! With an investment in NWH.UN, you don't need to worry about any of that. So, as a passive investment, REITs are vastly preferable to rental properties. And you can get started in your favourite brokerage app for just $13.60 (the price of one NWH.UN unit)!

Big yields

Last but not least, REITs typically have very high distribution yields. Because they are required by law to pass a high percentage of their earnings on to unitholders, the yields tend to be through the roof! For example, the aforementioned NWH.UN yields 5.88%. That's enough to provide $5,880 in annual cash income on every $100,000 invested. And the best part is, you do not have to take out a mortgage to invest in a REIT like NWH.UN. In fact, you can get started right now, with spare change you have lying around the house.

CATEGORY

1. Investing

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1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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