2 TSX Dividend Stocks I'd Buy Over a Rental Property

Description

Dividend stocks are great alternatives to passive-income-producing assets like rental and income properties. If you are not an experienced landlord, managing a rental property can be both costly and timely.

Things to factor in when buying a rental property

Firstly, buying a rental property requires significant upfront capital. There are also legal fees and real estate taxes to consider.

Secondly, you then must lease, maintain, and manage the property and tenants. Finding *good* tenants is always a challenge. Likewise, tenants have a different concept of maintenance to an owner, so there is a level of vigilance required to keep a property in good shape.

Thirdly, while you collect rents, they often don't cover all the utility costs, taxes, or building maintenance. So, time and expense are required to keep budgets, write leases, monitor costs, and fix capital repair items.

While this is not meant to scare you from buying a rental property, it is just an illustration of how much time, energy, and expenses they can take to upkeep. If this is all too much, fortunately, there are some great alternatives on the stock market.

REITs are great investment alternatives

In fact, at the click of a mouse, you can easily and affordably buy a stake in some of the world's best quality real estate assets. These are called real estate investment trusts (REITs). There is a diverse array of REITs by geography and asset class, so you can even build a diversified portfolio of real estate stocks.

REITs employ top managers and operate at a large scale, so their average operating costs (cost of debt and operations) are generally lower than an individual landlord.

The great news is, many of these real estate stocks also pay attractive dividends (potentially even better than a rental property) and offer good capital upside as well. If this all sounds good, here are two dividend stocks you may want to consider buying over a rental property.

Granite REIT: A great dividend-growth stock

Granite REIT (TSX:GRT.UN) sits among the most defensive dividend stocks in Canada. It operates a large portfolio of logistics and industrial properties across North America and Europe.

Industrial real estate demand is incredibly robust across the world, so Granite is enjoying nearly 100% occupancy and elevated rental rate growth. The REIT is expecting cash flow per share growth over 10% this year.

While this stock only pays a 3.16% annual dividend yield, it has grown its dividend every year for the past 10 years. Over the past five years, it has delivered 18.86% compounded annual total returns! All around, Granite is incredibly well managed and has long-term leases and top corporate tenants (like **Amazon.com**).

BSR REIT: A top stock for growth and dividends

Another dividend stock to consider owning over a rental property is **BSR REIT** (TSX:HOM.U). If you ever wanted to own a resort-style apartment in the southern United States, this is likely one of your best bets. BSR operates a high-quality multi-family portfolio in some of the fastest-growing cities in America. These include Dallas, Austin, and Houston.

A strong Texas economy is leading to massive immigration in these real estate markets. Consequently, apartment demand is high and rental rates are soaring. BSR is seeing the benefit. Last year, it grew adjusted funds from operation per unit (a key REIT profitability metric) by 5.4%. However, it is projecting +30% growth this year!

This stock also pays a nice 2.6% dividend. It just raised its dividend 4% early in 2022. BSR just offered equity to the market, and the stock pullback presents an attractive entry point today.

CATEGORY

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