



2 Dividend Stocks Better Than Buying Rental Property for Passive Income Right Now

Description

[Real estate investing](#) is widely regarded as an exceptional approach for Canadians to generate long-term wealth growth through the appreciation of real estate assets. Many Canadian investors also rely on real estate assets to generate a passive income through rental income. Rental properties can be excellent assets to create a passive-income stream, but they have several drawbacks.

The initial cash outlay necessary to acquire a house is astronomical. And depending on how much you could afford to put forward as a down payment, it could take several years to enjoy active profits from your investment. Besides, rental property investment is not exactly a true passive-income generation source.

From dealing with tenants to keeping up with maintenance, rent collection, taxes, and much more, managing an investment property requires putting in a lot of hard work. You can always consider hiring a property manager to handle the hassles of owning rental property, but that can eat into your returns.

Investing in real estate investment trusts (REITs) is a viable alternative to buying a rental property if you want to generate monthly income [without the hassles of being a landlord](#). Today, I will discuss two high-quality REITs you can consider investing in for this purpose.

BSR REIT

BSR REIT ([TSX:HOM.U](#)) is a \$1.45 billion market capitalization REIT headquartered in Little Rock, Arkansas. If you ever wanted to own resort-style apartments in the southern U.S. as investment properties, BSR REIT would be your best bet. The trust owns and operates a portfolio of multi-family residential properties in some of America's fastest-growing cities.

BSR REIT trades for \$19.46 per share at writing, and it boasts a 3.27% 12-month trailing dividend yield. The trust raised its dividend payouts by 4% earlier this year, and the recent pullback in the broader market makes it a more attractive investment today.

Granite REIT

Granite REIT ([TSX:GRT.UN](#)) is a \$6.25 billion market capitalization Canadian REIT headquartered in Toronto. The company boasts an extensive portfolio of industrial and logistics properties throughout North America and Europe.

Industrial real estate demand is high worldwide, and Granite REIT enjoys nearly 100% occupancy. Its rental rate growth has been substantial through the years, translating to better returns for its shareholders.

Granite REIT trades for \$95.14 per share at writing, and it boasts a 3.20% 12-month trailing dividend yield. The trust has delivered annual dividend hikes for the last 10 years. Its compounded total yearly returns have been a staggering 18.86% over the previous five years.

With a high-quality tenant base and strong financial performance, Granite REIT could be an excellent investment at current levels.

Foolish takeaway

If you are inexperienced with real estate investing and want to begin foraying into the industry, you should be wary of the hassles of the traditional approach.

Owning and operating a rental property takes a lot of time and effort. Finding good tenants is always challenging. While collecting rent, you might not recover all the amount necessary to cover taxes, building maintenance, and utility costs. Keeping an investment property in good shape to attract high-quality tenants also requires significant capital investment, reducing your total return from rental income.

REITs offer you a hands-off method to generate a monthly passive-income stream like a lazy landlord without the hassles of owning a rental property.

You do not require a substantial upfront amount to invest in REITs, because you can purchase shares of these trusts on the stock market. Your monthly returns will depend on the number of units you own and the [payout yield](#).

BSR REIT and Granite REIT could be excellent investments to consider as more affordable alternatives to buying a rental property.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:GRT.UN (Granite Real Estate Investment Trust)
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