3 Dividend Stocks That Are Better Than a Rental Property

Description

When it comes to income-producing assets, rental properties are one of the most popular choices there are. But rental property isn't the most practical choice for many investors.

It's too expensive to buy outright, and if you are only paying the down payment and taking out a mortgage, rent will cover only part of it, and you will be spending money on building that asset for years rather than it generating income for you.

Dividend stocks are a viable alternative. You can start investing with as little or as much capital as you want, and if you choose the right dividend stocks with healthy enough dividends, the return potential is usually higher than the rental yield.

A financial stock

The Winnipeg-based **IGM Financial** (TSX:IGM) is a wealth management and asset management firm with around $242 billion worth of assets under management. It also has a strategic investments division, under which it has taken a stake in multiple well-known and promising businesses. It's part of the **Power Corporation of Canada**, a Montreal-based holding company.

Despite a healthy and financially stable business, the stock has mostly been cyclical in nature. It has gone through three major growth phases in the last decade, the best of which was in the post-pandemic period, which pushed the stock up over 130%. But dividends are really the more promising feature of this investment, and it's currently offering a juicy 6.5% yield.

A REIT

Investing in a REIT is often considered an alternative to becoming a landlord, as it also gives you access to real estate, albeit in a roundabout way. And it comes with all the benefits of investing in a dividend stock instead of a rental property, with additions.

For example, if you invest in a REIT like **NorthWest Health Properties REIT** (TSX:NWH.UN), you will get access to a real estate class that's usually not accessible to retail investors or the bulk of real estate investors.

The REIT's portfolio of healthcare properties is quite diversified as well, both geographically and within its domain. It's spread over seven countries and includes properties like clinics, hospitals, medical centres, care facilities, and even administrative offices.

The stock has been relatively stable compared to the other Canadian REITs, especially in the last few years, making it a wise choice from a capital preservation perspective. It's both discounted and undervalued right now and offers an attractive 6.4% yield.

A senior housing company

If retirement homes and long-term-care facilities are an asset class you are interested in, then **Sienna Senior Living** (TSX:SIA) would be the right dividend stock for you.

This Markham-based company has been around for almost half a century and has a portfolio of 80 properties that it owns and operates and 13 properties that it operates on behalf of third-party owners. Most properties are in Ontario and the rest are in B.C. and Saskatchewan.

The dividend history of this company is decent enough if you disregard the abnormally high payout ratios. But it didn't just sustain its payouts but has grown them four times in the past 10 years. The current dividend yield is mouthwatering at 7.17%, a direct consequence of the 22% discount the stock is trading at from its recent peak.

Foolish takeaway

While generating rental income is not the only reason behind real estate investing in Canada, it's why most people are attracted to this tangible asset. But being a landlord is more than just about collecting rent. It requires property management and keeping the turnover rates low. And if you choose dividend stocks instead, you can enjoy a truly passive income.

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2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:SIA (Sienna Senior Living Inc.)

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