



Why Real Estate Stocks Are a No-Brainer Addition to Your Portfolio

Description

When you're investing your hard-earned capital and buying stocks for the [long run](#), it's crucial to ensure that you diversify your investments well and own companies in several different sectors and industries. With that being said, though, there are some sectors that you'll absolutely want to be invested in, such as the real estate sector.

Real estate is one of the oldest industries, and there's a reason it's so popular. In fact, many Canadians have goals of owning a rental property as another way to generate income simply because real estate is typically a low-risk and reliable industry.

However, while rental properties can be great investments, often, real estate stocks provide even more benefits for investors. So, here are three main reasons why real estate stocks are a no-brainer addition to your portfolio.

Many real estate stocks offer excellent diversification

When you compare owning a rental property vs. buying real estate stocks, one of the biggest differences (besides the amount of capital needed and the liquidity of the investment) is that real estate stocks offer excellent [diversification](#).

Unlike owning a single rental unit or property, real estate stocks own multiple buildings, often with hundreds of rental units in each. In addition, these portfolios are also almost always diversified by region, province, and even country.

There are even some real estate stocks, such as **Granite REIT**, that own properties on multiple continents. This is crucial because it not only helps to reduce risk but also offers more opportunities for growth.

If you only own a single rental property and you can't find a tenant, your occupancy rate falls to 0%. Meanwhile, most REITs are consistently operating with occupancy rates of 95% or higher.

Furthermore, if the region you own the property in sees a downturn in the regional real estate market, you could be at risk. REITs, however, still have this risk, but they can mitigate it with their assets in other regions. In addition, they can choose to invest in growth where fundamentals are strong and constantly improving.

Therefore, one of the best reasons to buy real estate stocks for your portfolio is due to the excellent diversification that they offer.

Many subsectors of real estate are highly defensive

Another reason why real estate stocks are such great investments is that there is a tonne you can buy that are highly defensive.

Residential real estate stocks, in particular, are investments you can rely on because people will always need somewhere to live.

Furthermore, as I mentioned before, real estate is one of the oldest industries there is. But it's also an industry that will be around forever, which is why you can buy and hold these stocks for decades to come.

There are plenty of different types of investments to buy

Another massive benefit that buying real estate stocks offers is that there is a tonne of different choices for investors based on your personal preferences.

Whether you are a growth investor or prefer to receive tonnes of passive income, there are tonnes of real estate stocks to choose from on the market that you can find to fit your needs.

For example, if you want exposure to real estate but are more of a growth investor, a residential real estate stock like **InterRent REIT** pays a smaller distribution than most of its peers, but it's constantly reinvesting its capital into expanding its portfolio. Over the last 10 years, its revenue has increased by more than 350%, and the REIT has earned investors a total return of more than 220%.

However, a real estate stock like **Northwest Healthcare Properties REIT**, which owns hospitals and medical office buildings around the world, typically returns most of its capital to investors through its distribution. Today, the REIT trades with a yield of just over 6%, making it one of the best real estate stocks you can buy for passive income.

Therefore, while it's crucial to have a well-balanced and diversified portfolio, having good exposure to high-quality real estate stocks is certainly a no-brainer investment.

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