2 Sneaky-Easy Ways to Invest in Real Estate Without Being a Landlord

Description

Industry experts and economists were correct in saying that the real estate market would take a hit from multiple rate hikes. The Bank of Canada has raised its benchmark rate five times already this year. But because the current inflation rate of 7% is still high, two more rate hikes (October 26, 2022, and December 7, 2022) are possible.

The impact of the central bank's aggressive rate hike campaign is evident in falling home prices. Data from the Canadian Real Estate Association (CREA) shows the average selling price of a home in September 2022 declined 6.6% to $640,479 compared to the same month in 2021.

Shaun Cathcart, CREA's chief economist, said the housing market is still in the middle of a period of rapid adjustment. He adds that buyers and sellers are trying to feel each other out while many people have had to take their home search plans back to the drawing board.

However, investors don't have to purchase physical properties to gain exposure to the real estate market. A sneaky-easy way is through real estate investment trusts (REITs). Owning a REIT won't make you a landlord, but you'll receive sustainable passive income.

Residential sub-sector

Canadian Apartment Properties (TSX:CAR.UN) or CAPREIT is in the residential sub-sector and it's an ideal choice right now because competition is starting to shift toward the rental market. For $40.34 per share, you can be a mock landlord in Canada and the Netherlands. The dividend yield is also a decent 3.59%.

The property portfolio of this $7 billion REIT consists of apartment suites, townhomes, and land lease communities. Its President and CEO, Mark Kenney, said the REIT delivered a very strong operating performance in Q2 2022 and solid increases in all key performance benchmarks.

Net operating income (NOI) increased 9.43% year-over-year to $166 million, while net average monthly rents (AMR) increased 4.38% to $1,167 versus Q2 2021. As of June 30, 2022, the occupancy rate is 98.2%. Kenney explains that CAPREIT's high-quality and well-located properties are affordable alternatives to the high cost of home ownership in Canada.

Niche office market

The evolution of **Allied Properties** (TSX:AP.UN) since going public in 2003 is remarkable. Today, the $3.48 billion REIT is the leading owner, manager, and developer of urban workspaces in Canada's major cities. In Toronto, it leases network-dense urban data centres (UDCs).

In the first half of 2022, rental revenue and net income increased 7.1% and 63.2% year-over-year to $299.23 million and $287.22 million, respectively. Management said that during the same period, Allied leased 60.8% of gross leasable area (GLA) covered by expiring leases. The average increase in net rent per square foot was 6.5%.

Allied Properties expects its strategy of consolidating and intensifying distinctive urban workspaces and network-dense UDCs to deliver further growth in 2022. At only $27.20 per share, you can partake in the mouth-watering 6.43% dividend yield. An $18,700 investment will produce $100.20 in passive income every month.

Indirect ownership

Investors can counter the housing market correction and still earn sustainable passive income through indirect ownership. Besides the sustainable monthly dividends, CAPREIT and Allied Properties can deliver substantial capital gains when the market recovers.

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