Here's an Absolutely Brilliant Way to Earn Passive Income

Description

Establishing a reliable passive-income stream is high on the priority list of almost every investor. And while there is a bevy of suitable investments to consider, some investors turn to establishing rental income as a great way to earn passive income.

Unfortunately, between the white-hot real estate market, soaring interest rates, and the highest inflation in four decades, there's plenty of volatility that makes buying a rental property not the best course right now.

This is where the appeal of **RioCan Real Estate** (TSX:REI.UN) comes into play. Here's a quick look at what RioCan does and why you should consider the REIT.

Meet RioCan

RioCan is one of the largest REITs in Canada. The REIT has a portfolio of predominately retail-focused properties comprising some of the largest names in business. In total, RioCan boasts approximately 200 properties that are situated in Canada's major metro areas.

RioCan's reliance on retail, such as sites within shopping malls, has waned in recent years as consumers shifted to online commerce. This presented RioCan with a unique opportunity to diversify into the lucrative residential market.

That opportunity, which is a unique way to earn passive income, is known as RioCan Living.

RioCan Living combines both retail and residential properties along high-traffic routes in Canada's major metro areas. The properties comprise residential towers sitting atop several floors of retail. The properties are also conveniently located on transit lines, making shopping and commuting easier.

How is RioCan a unique way to earn passive income?

To answer that question, let's look at the traditional route of buying a rental property.

First, you need a down payment. With the average price of homes in Canada's major metros still above $1 million, that down payment will need to be considerable — likely upwards of $150,000 or more.

Then you need a mortgage payment, which, thanks to rapidly rising interest rates, have nearly doubled in the past year. And that's not taking into consideration the half-point bump to interest rates announced yesterday, which brought them to the highest levels in over a decade.

Finally, you need to find (and keep) a tenant to pay rent each month, while also covering other fun things like property taxes.

In other words, it's a significant investment with a lot of upfront risk, while not offering any considerable immediate income opportunities.

Now, let's consider a few alternatives for investing in RioCan. Apart from your investment comprising hundreds of properties rather than a single property, there are other unique advantages.

Buying 7,100 shares of RioCan at a price of $20.91 (price as of the time of writing) will cost $148,461. Given RioCan's payout of $1.02 per share, that works out to a monthly income of just over $600. Keep in mind, there are no tenants, no maintenance, and no property taxes. Additionally, your risk is spread out over a larger base of properties.

Now, let's take that to the next level.

If you aren't ready to draw on that income just yet, you can always reinvest. This helps to drive that income potential up further. Taking the current stock price and yield, reinvesting the dividends for a decade could bump your monthly income to $900.

Keep in mind that if your investment is in a TFSA, that income could be tax free.

Final thoughts

It's worth reminding that no investment is without risk, and that includes RioCan. RioCan may appeal as a lower risk over investing in a single property, it should be just a part of a larger, well-diversified portfolio.

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