



Lazy Landlords: 2 High-Quality Residential REITs to Buy Now

Description

Many Canadians save up cash to put to work for them. One of the most popular ways Canadians look to earn passive income is by owning a rental property.

Owning rental properties has always been a great way to earn cash, but its become even more popular lately with the rise of companies like **Airbnb** and Vrbo.

There are some drawbacks to owning a rental property, though. They can be a lot of work. They can be expensive to buy. Plus, you don't have diversification if you only own one. So it's possible to go a few months without finding a tenant and lose all that potential revenue.

Furthermore, you're often limited to buying properties nearby, so you can be close enough to do the work. However, houses in your region may not necessarily offer the most value.

This is why residential REITs are such an attractive investment. You do not have to do work to maintain the properties you have exposure to. REITs require very little capital to start investing. You can diversify among many different REITs. Plus, REITs themselves are well diversified.

That's not all, though. In addition, REITs are well financed using debt to leverage their operations. Crucially, they prudently keep debt at a manageable level. Furthermore, interest costs are often less than Canadians would incur on their mortgages.

Investing in REITs also allows Canadians to buy these assets when they fall significantly in price. Because REITs are publicly traded, they change in price more often than the actual housing market, giving investors ample opportunities to take advantage of discounts that the market offers.

And finally, the last major advantage of becoming a lazy landlord and buying residential [REITs](#) is that you can buy these assets in a registered account such as a [TFSA](#), which will allow you to save taxes on your profits.

So if you're interested in becoming a lazy landlord, here are two of the best residential REITs for Canadians to buy now and hold for the long haul.

One of the best residential REITs to buy now

If you're interested in becoming a lazy landlord, one of the best residential REITs you can buy is **InterRent REIT** ([TSX:IIP.UN](#)), a top growth stock with properties in Quebec, Ontario and B.C.

InterRent has proven what a high-quality, long-term growth stock it can be. The REIT pays out a lower distribution than many of its peers. Yet, InterRent is constantly retaining capital to invest in growing its portfolio and generating more revenue per property.

By investing in upgrading its existing properties, for example, InterRent can increase the value of these assets. Moreover, it can also charge higher rents, leading to consistent growth for investors.

In fact, over the last five years, InterRent's revenue has grown by 101%, and its [funds from operations](#) (FFO) have increased by over 140%.

So with this impressive growth stock still trading nearly 15% off its 52-week high, it's one of the best residential REITs you can buy today.

A top REIT with properties in Canada and the U.S.

In addition to InterRent, **Morguard North American Residential REIT** ([TSX:MRG.UN](#)) is another of the best residential REITs you can buy for your portfolio.

Morguard is a low risk REIT to buy as it's well diversified, with assets spread across nine states south of the border, in addition to Ontario and Edmonton.

This diversification is important for two reasons. Of course, the diversified portfolio helps to lower the risk of the investment, but it also exposes investors to more growth potential.

For example, south of the border, rent controls have fewer restrictions. This led to Morguard reporting a 16% increase in same-property [net operating income](#) (SPNOI) in its U.S. portfolio during the first half of 2022 and another 20% increase in the third quarter.

Therefore, with Morguard's impressive growth in profitability, combined with its stock price falling over the last year, it's one of the best residential REITs to buy today.

Morguard currently trades at a forward price to adjusted funds from operations (AFFO) ratio of just 14.1 times. Roughly a year ago, that ratio was around 19.3 times.

So while this high-quality residential REIT is trading at a compelling discount, it's one of the top stocks to buy now.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)
2. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

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1. Business Insider
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4. Msn
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