

How to Invest in REITs in Canada [2024]

Summary: Real estate investment trusts (REITs) offer a solid opportunity for individuals to invest in real estate without the burden of owning and managing properties directly. In Canada, REITs have become increasingly popular and anyone can invest in them through regulated online broker services, including [Interactive Brokers](#).

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About REITs

[REITs](#) are companies that own, operate, or finance income-generating real estate across various sectors. These include residential, commercial, industrial, or healthcare. They pool funds from investors to purchase, develop, and manage real estate properties.

By [investing in REITs](#), individuals can benefit from rental income and property appreciation. This is similar to direct real estate ownership; however, it doesn't include the responsibilities of managing the properties, making it preferable.

Who can invest in REITs in Canada?

[Investing](#) in REITs in Canada is open to a wide range of individuals, including:

- **Individual investors:** Any Canadian citizen or resident can invest in REITs. So, whether you are a seasoned investor or just starting, REITs provide an accessible avenue to enter the real estate market;
- **[Registered retirement savings plan \(RRSP\)](#) and [tax-free savings account \(TFSA\)](#) holders:** Canadian investors can hold REITs within their registered accounts, such as RRSPs and TFSAs, to benefit from tax advantages;
- **Institutional investors:** Pension funds, insurance companies, and other institutions can also invest in REITs to [diversify their portfolios](#) and seek stable returns.

How to invest in REITs in Canada—Step by step

Step 1: Research and understand REITs

Before investing in any REIT, it's essential to conduct thorough research. So, you should first understand the different types of REITs available in Canada, such as:

- **Equity REITs:** Own and manage properties;
- **Mortgage REITs:** Lend money for mortgages.

You can, additionally, learn more about the specific sectors they focus on, their historical performance, management team, and future prospects.

Step 2: Open an investment account

To invest in REITs, you'll need a brokerage account. Luckily, there are many of them out there. All you have to do is choose a reputable one that offers access to a variety of REITs and other investment options. Nevertheless, before you pick one, we recommend that you consider these factors:

- REITs availability;
- Fees;
- Security;
- Customer service;
- Ease of use.

Having said that, our go-to brokerage in Canada is [Interactive Brokers](#). Besides being fully regulated and licensed, it's home to many investors worldwide, and it offers a host of great features, such as:

- Low commissions and financing rates to maximize returns;
- Global access to REITs, [stocks](#), [futures](#), [cryptocurrencies](#), bonds, and funds;
- Trading efficiency with high-end technology;
- Secure trading experience.

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Step 3: Determine your investment strategy

Next up, you should decide on your investment strategy based on your financial goals, risk tolerance, and investment horizon. Some investors seek regular income from [dividends](#), while others focus on long-term capital appreciation. Note that diversifying your investments across multiple REITs can also reduce risk.

Step 4: Choose REITs to invest in

After determining your investment strategy, you can select REITs that align with your investment strategy and risk profile. Look for well-established REITs with a strong track record, a diverse portfolio of properties, and experienced management teams. Also, analyze their financial reports and dividend history to gauge their stability and performance.

When it comes to our top picks, we've come up with three Canadian REITs that offer the most investment potential for 2024. They include:

- **Canadian Apartment Properties REIT (CAR.UN):** CAPREIT is a residential-focused REIT that owns and manages a wide range of rental properties, including apartments, townhouses, and manufactured home communities;

- **InterRent REIT (IIP.UN.):** InterRent is focused on residential properties, particularly in the multifamily rental housing sector. Its primary strategy involves acquiring and managing high-quality apartment buildings in major urban centers across Canada;
- **Canadian Tire Real Estate Investment Trust (CRT.UN.):** CT REIT primarily focuses on owning and leasing retail properties that are leased to [Canadian Tire Corporation](#), one of Canada's largest retail companies.

Step 5: Make your investment

Once you pick the REITs you want to invest in, place your order through your newly-made brokerage account. You can typically buy REITs like regular stocks, and the process is similar. Of course, it will depend on your brokerage platform of choice, hence follow the steps they provide you with.

The pros and cons of investing in REITs in Canada

Pros:

- **Passive real estate exposure:** Investing in REITs allows you to benefit from real estate's potential for income and growth without the need to own and manage properties directly;
- **Regular income:** REITs are required to distribute a significant portion of their taxable income to shareholders as dividends, making them an attractive option for income-seeking investors;
- **Liquidity:** Since they are publicly traded on stock exchanges, REITs offer ease of buying and selling compared to physical real estate;
- **Diversification:** REITs often hold a portfolio of properties across different locations and sectors, providing investors with built-in diversification.

Cons:

- **Market risks:** Like any investment, REITs are subject to market fluctuations and may experience periods of volatility;
- **Interest rate sensitivity:** Changes in interest rates can affect REITs, which can impact their borrowing costs and property values;
- **Management quality:** The success of a REIT relies on the competence of its management team, hence poor decision-making can negatively impact returns;
- **Tax considerations:** REIT distributions may be taxed differently than regular dividends, so it's essential to understand the tax implications.

What to avoid when investing in REITs in Canada

Investing in REITs without conducting thorough research is one of the [common mistakes](#) many novice investors tend to make. You should instead understand the specific REIT's performance, portfolio, and management to make the most of it. Nevertheless, besides poor research, you should also avoid:

- **Chasing high yields:** While high dividend yields can be tempting, extremely high yields might signal financial issues or unsustainable payouts;
- **Overlooking fees:** Pay attention to brokerage fees and other transaction costs, as they can impact your overall returns;
- **Lack of diversification:** Avoid putting all your funds into a single REIT, and diversify your investments to spread risk effectively.

***Disclaimer:** The content on this site should not be considered investment advice. Investing is speculative. When investing, your capital is at risk.*

FAQs about how to invest in REITs in Canada

Are REITs a safe investment?

REITs can be a relatively safer investment in comparison to direct real estate ownership, but they still carry market risks. Therefore, it's key to conduct research and diversify your investments to mitigate potential risks.

How often are REIT dividends paid?

REITs typically pay dividends quarterly, but some may have different payment frequencies. As such, you should check the individual REIT's dividend schedule.

Can foreigners invest in Canadian REITs?

Yes, foreigners can invest in Canadian REITs. However, they should be aware of any tax implications in their home country.

What is the minimum investment required for REITs?

The minimum investment required for REITs depends on the unit price of the specific REIT. Some may have a low entry barrier, while others may require a more substantial initial investment.

How are REITs taxed in Canada?

REIT distributions are generally taxed as ordinary income. Yet, if held within a tax-advantaged account like a TFSA, the distributions can grow tax-free.

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