Dividend stocks are a better investment than income properties: BMO economist

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Daily roundup of research and analysis from The Globe and Mail’s market strategist Scott Barlow

Continuing a theme from [earlier this month](https://www.theglobeandmail.com/investing/markets/inside-the-market/article-income-properties-no-longer-economical-bmo-economist/), BMO senior economist Robert Kavcic compares the yield from fixed income and dividend stocks to an income property,

“The economics of real estate investment get tough on a relative basis given that investors can secure a better yield in dividend stocks, or sit tight in risk-free cash/government bonds. The comparison to dividend stocks is an especially interesting one because both offer long-term capital appreciation potential, and both will see their payouts grow over time at least in-line with inflation. But, dividend investors also benefit from a much lower tax burden; they have access to instant and partial liquidity; and face minimal transaction costs. At the same time, payout risk is generally low compared to rental laws that are tilted heavily in favour of the tenant, along with inefficient backlogs at the Landlord and Tenant Board. Real estate investment should command a risk premium (which it historically has), but current pricing does not offer one”

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