Earn an 8.3% Yield From This Forever Asset

Description

There's an office building in downtown Toronto.

To most people, it just looks like a collection of steel beams and red granite facade. But to the savvy investor, it's one of the most valuable assets in Canada.

The building sits on top of some of the most expensive land in the world. Each year the property value creeps up a little. And every month the owners collect hundreds of thousands of dollars in rent cheques.

Now the owners — who have already banked millions — are willing to split the profits with us. Some investors have already received thousands of dollars in dividends. Let me explain…

Collect thousands in monthly rental income without becoming a landlord

It's called Scotia Plaza; a skyscraper, 68 floors high, which stands right across from the old Toronto Stock Exchange. At 275 meters in height, it's Canada's third tallest building. And if you like cashing big dividend cheques, there's no better business in the world. Here's why:

Scotia Plaza is a money machine. It was finished in 1988 at a cost of $200 million. Today, the building earns over $30 million in rents every year – more than 15% of what it cost to build in the first place.

And while Scotia Plaza was costly to build, it's not that expensive to maintain. Once constructed, the building just sits there. Maintenance costs are only a tiny fraction of revenues; the rest can be paid out to its owners.

These revenues are mostly locked-in. That's because Scotia Plaza's biggest tenant is, you guessed it, **The Bank of Nova Scotia**. However, other blue-chip businesses have also set up shop such as **Visa Inc** and **Wells Fargo & Co**.

Needless to say, these corporate tenants have a far better track record than the friendly folks responding to an "Affordable 2-Bedroom Apt" ad on Craigslist. They're rock-solid from a financial perspective – and certainly aren't going out of business any time soon.

Real estate benefits from inflation. Think about all of the physical components that go into constructing an office building. There is the lumber, bricks, nails, wiring, pipes, fixtures, and appliances. Contractors and engineers need to be paid.

Now, very simply, do you think that these components will cost more in the coming years? Yes, these costs will rise. In the future, new construction will cost more and more.

This gradual inflation will pull up values for existing properties. You will own one of these existing buildings. Your property's value will increase. Your rents will increase.

Relative to other investment options, owning real assets like Scotia Plaza is the smartest financial move you can make. Consider a 'safe' 10-year Government of Canada bond. Even if interest rates don't rise, you're still tying up your capital for the next decade at a meager 1.8% interest rate.

And when your principal is finally repaid, those dollars will have lost much of their purchasing power. Even your Uncle Bob's coin collection might offer better returns.

So if lending money is one of the worst things you can do, then borrowing it is quite possibly the smartest. With a fixed rate mortgage, you pay back the debt with cheaper dollars. Better yet, your tenants continue to pay you rent even after the loans have been repaid.

You enjoy the income, your children enjoy the income, and your grandchildren and your great grandchildren will enjoy the income.

How to start collecting your own rental income

In sum, Scotia Plaza is perfect for investors who want a reliable way to build long-term wealth. Unfortunately, you can't invest directly in this office building. However, you can buy units in the firm that owns it: **Dream Office REIT** (TSX: D.UN).

In addition to the Scotia Plaza, Dream owns hundreds of office buildings across Canada. Because these properties are gushing so much cash, the trust currently yields a generous 8.3%. And I expect that payout will keep growing for decades to come.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:D.UN (Dream Office Real Estate Investment Trust)

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