



## Collect up to \$1,200 in Monthly Rental Income (Without Becoming a Landlord)

### Description

Picture this...

You buy a rental property with a mortgage. Each month, these wonderful people called tenants pay off your loan. Every year, your property goes up a little in value. In 20 years or less, you stop making mortgage payments, but your tenants keep paying you rent. Your tenants' children pay your children's rent. Your tenants' grandchildren pay your grandchildren's rent.

When does this end? It doesn't. As long as your heirs don't sell the property, you've created a dynasty of wealth that can last generations.

### How to get rich in real estate

The blueprint to get rich in real estate is simple: buy a few properties, take care of your tenants, and pay off the mortgages.

More wealth has been made in real estate than all other asset classes *combined*. This is why in all places, it has been, it is, and will always be the rich people who own real estate. If it were so easy, everyone would be doing it. Late payments, leaky faucets, broken water heaters — these are the issues that come with rental properties. While we could all use the extra cash, becoming a landlord is not for everybody.

That said, there is a way to collect monthly rental income without dealing with tenants. Simply put, I'm talking about partnering with already established, highly successful landlords through real estate investment trusts, or REITs.

### What is a REIT and how do they make money?

REITs are straightforward to wrap your head around. You could think of them as a kind of real estate holding company. They buy properties, collect rent from tenants, and pass on the income to investors.

This offers a number of advantages for unitholders. First off, REITs are diversified. Many own vast real

estate empires stretching across the country. A management team handles all of the daily operations, so there are no toilets to unclog or lawns to mow. And because most REITs are publicly traded, they can be bought and sold just like an individual stock.

And it gets better. Because of the special way in which these trusts are organized, REITs pay NO corporate income taxes. But in exchange for this benefit, these firms are required by law to pass on all of their profits to investors. That's why you often see REITs with yields as high as 5%, 7%, and even 10%!

## The five types of REITs

Generally, REITs are specialized by property type. Just to give you an idea of your options, there are REITs that allow you to invest in the following areas:

- **Residential:** These firms own student housing, apartment buildings, and manufactured housing communities. Because people always need to put a roof over their heads, residential trusts like **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) tend to be the most reliable cash generators around.
- **Retail:** Retail REITs like **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) own malls and shopping centres. They earn profits by leasing space to retailers and skimming a percentage of their sales.
- **Office and industrial:** These have similar benefits to retail properties, but office and industrial trusts like **Dream Office REIT** ([TSX:D.UN](#)) have fewer tenants occupying larger spaces. As a result, these firms are generally riskier, but offer higher yields.
- **Healthcare:** The population is growing older. As such, there is a growing need for healthcare facilities offered by firms like **Chartwell Retirement Residences REIT** ([TSX:CSH.UN](#)), particularly for senior housing and long-term care.
- **Diversified:** Not every REIT can be fit neatly into one category. Many firms like **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)) own a hodgepodge of retail, office, and industrial properties.

## Collect a 4.8% rent cheque without becoming a landlord

If digging through financial statements isn't your thing, I recommend the **iShares S&P/TSX Capped REIT Index Fund** ([TSX:XRE](#)). This exchange-traded fund owns a basket of the 16 largest REITs in the country, making it a quick and simple way to break into real estate.

Today iShares pays investors a monthly dividend of 6.8 cents per share, which comes out to a yield of 4.8%. So, with a \$300,000 investment (about the cost of buying your own rental), you can earn \$1,200 in monthly income, and you never have to fix a leaky faucet.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:CSH.UN (Chartwell Retirement Residences)

3. TSX:D.UN (Dream Office Real Estate Investment Trust)
4. TSX:HR.UN (H&R Real Estate Investment Trust)
5. TSX:REI.UN (RioCan Real Estate Investment Trust)
6. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)

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