



## Get \$1,000 in Monthly Rental Income From Boardwalk REIT

### Description

Some investors buy properties and rent them out to receive rental income. Those properties require a huge amount of capital up front. By investing in real estate investment trusts (REIT) instead, investors can invest a small amount and still receive a stable monthly income.

Further, by buying REITs, you diversify your portfolio immediately because REITs typically own and operate hundreds of properties. Additionally, a professional management team takes care of the properties and the tenants, so you don't have to.

### How to receive \$1,000 in monthly income

Buying 5,883 units of **Boardwalk REIT** ([TSX:BEI.UN](#)) at about \$54.2 per unit would cost a total of \$318,859. You'd receive \$1,000 per month, a yield of close to 3.8%.

Most of us probably don't have that kind of cash lying around. No problem. You could buy 4,942 units at \$54.2, costing a total of \$159,430, and you'd receive \$500 per month and still get a 3.8% income from your investment.

Okay, \$159,430 is still too much. Instead, you could buy 589 units at \$54.2 per unit, costing \$31,886, and you'd receive \$100 per month.

See what I'm getting at? You'd receive that 3.8% annual income no matter how much you invest. And the investment amount is up to you.

### Investment Annual Income

\$318,859	\$12,000
\$159,430	\$6,000
\$31,886	\$1,200

### Is Boardwalk REIT's income safe?

Boardwalk REIT generates its rental income from over 34,000 apartments across four provinces. Its payout ratio is under 70%, creating a margin of safety for its distribution.

At the end of the second quarter, management equity ownership was 25%. Usually, a high percentage is a good sign because management receives income from the distributions as well, and so their interests are aligned with shareholders' interests.

Investors should be aware that about 65% of Boardwalk's net operating income comes from its Albertan properties, while 14% comes from Saskatchewan, 13% comes from Quebec, and 8% comes from Ontario.

### **Tax on the income**

REITs pay out distributions that are unlike dividends. Distributions can consist of other income, capital gains, foreign non-business income, and return of capital. Other income and foreign non-business income are taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate.

So, to avoid any headaches when reporting taxes, buy and hold REIT units in a TFSA or an RRSP. However, the return of capital portion of the distribution is tax deferred. So, it may be worth the hassle to buy REITs with a high return of capital in a non-registered account.

Of course, each investor will need to look at their own situation. For instance, if you have room in your TFSA, it doesn't make sense to hold investments in a non-registered account to be exposed to taxation.

### **In conclusion**

If you're looking for diversified rental income from residential properties, consider Boardwalk REIT, which has been paying a monthly distribution since 2004. It currently yields 3.8% to start, and occasionally the REIT pays out one-time special distributions that come from sale proceeds.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)

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