



Collect \$1,000 in Monthly Income From Smart REIT

Description

As much fun as it is to watch your dividends slowly increase, I think we can all agree that aiming high is a good thing. \$1,000 per month is a number that would make a huge difference in most investors' lives.

For me, \$1,000 per month would cover my utilities as well as my groceries, and leave me with a little bit of money left over. For many folks—especially those who bought their homes before the big run up in prices—\$1,000 per month could even be their entire mortgage payment.

Obviously, it's not a good idea to stick all of your money into one stock, no matter how tempting it might look. There's still an argument for making **Smart REIT** ([TSX:SRU.UN](https://www.sru.un)) a major holding in your portfolio.

Get smart

Smart REIT used to be Calloway REIT until the company decided to change its name after making a transformational acquisition. Calloway didn't just acquire 24 properties from SmartCentres; it also acquired Mitchell Goldhar with the deal, a man who has been one of Canada's great commercial real estate developers. Goldhar sits on Smart REIT's board.

Many of Smart's competitors—namely, **RioCan**—have made it a priority to diversify away from having more than 5% of revenue from one tenant. Investors always fear the worst when a REIT is dependent on one tenant. What happens if the tenant starts to struggle?

Smart REIT thought this risk was overrated, making the decision early on to hitch its wagon to the biggest retailer in the world, **Wal-Mart Stores, Inc.** ([NYSE:WMT](https://www.wmt)). Wal-Mart continues to expand in Canada, meaning it creates plenty of development opportunities for Smart. And since Wal-Mart-anchored locations tend to attract a lot of foot traffic, this means the company isn't likely to see much vacancy. Even retail stores that compete with Wal-Mart can do well because all of the traffic is good for everyone. Smart has a current occupancy rate of nearly 99%.

Smart REIT is also aggressively expanding. Currently, the company has 30.5 million square feet of gross leasable area, with another 4.7 million square feet in the pipeline. With a debt-to-assets ratio of just 45%, Smart is also one of the least indebted REITs. This bodes well for its future expansion plans.

It also has access to nearly \$400 million in additional cash via various credit lines.

This also bodes well for the company's dividend. It recently hiked the payout to \$0.1375 per month, an increase of 3.2%. And that was after hiking the distribution 3.4% in 2014. In the world of REITs, being able to count on a 3% dividend increase would be fine for many investors. Remember, shares of the company already yield 5.26%.

The payout ratio is attractive as well. Through the first half of 2015, the company earned \$0.97 per share in adjusted funds from operations, while it paid out \$0.80 in distributions. That's a payout ratio of just 82%, giving it ample room to pay the dividend.

Since 2011, Smart has consistently grown its adjusted funds from operations. It earned \$1.65 in AFFO in 2011, then \$1.71 in 2012, \$1.75 in 2013, and \$1.84 in 2014. The company is on pace to earn \$1.94 per share in AFFO in 2015.

Get paid

Collecting \$1,000 per month from Smart REIT would require an investment of \$228,136, or approximately 7,265 shares excluding any commissions or any other fees. And remember, the \$12,000 in annual dividends would be subject to taxes, unless you hold the investment in a registered account.

There's an easy way for investors in Smart to supercharge their dividends. If they sign up for the company's dividend reinvestment program, investors will get the right to reinvest their dividends in new shares at a 3% discount to the current market price. That's a really easy way to increase the effective yield from 5.26% to 5.42%. Hey, every little bit helps.

Smart REIT is one of Canada's finest companies. Whether you're looking to earn \$10, \$100, or \$1,000 per month from it, it's the kind of stock that would look good in anyone's portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:WMT (Wal-Mart Stores Inc.)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Date

2025/07/08

Date Created

2015/12/07

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