



Get \$1,000 Every Month From RioCan Real Estate Investment Trust

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 (REITs) instead, investors can invest a small amount and still receive a juicy monthly income. Additionally, a professional management team takes care of the properties and the tenants, so you don't have to.

Furthermore, by buying REITs, you diversify your portfolio immediately because REITs typically own and operate hundreds of properties.

About RioCan REIT

It must be exciting at **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.scribd.com/document/444444444/TSX-REI-UN)) because it announced the sale of its U.S. portfolio of 49 retail properties for \$2.7 billion. Some of this capital will be used to pay down debt and acquire more properties, including 50% interest in the Tillicum Centre, a 468,533 square foot shopping centre in Victoria, B.C. from **Kimco Realty Corp.**

In its Canadian portfolio, RioCan owns 305 properties across 43 million square feet, and it earns 74% of rental revenue from major markets: 42% from Toronto, 11.2% from Ottawa, 6.8% from Calgary, 6.5% from Montreal, 4% from Edmonton, and 3.9% from Vancouver.

Selling its appreciated U.S. portfolio and sending that money back home while the U.S. dollar is so strong is a double win for RioCan. As RioCan declines a few percentage points after the announcement of the sale of its U.S. properties, you can get in on the largest Canadian retail REIT before it starts drawing value from its new investments.

How to receive \$1,000 in monthly income

Buying 8,533 units of RioCan REIT at \$24 per unit would cost a total of \$204,792. You'd receive \$1,000 per month, a yield of 5.86%.

Most of us probably don't have that kind of cash lying around. No problem. You could buy 4,267 units at \$24, costing a total of \$102,408, and you'd receive \$500 per month and still get a 5.86% yield from your investment.

Okay, \$102,408 is still too much. Instead, you could buy 854 units at \$24 per unit, costing \$20,496, and you'd receive \$100 per month.

See what I'm getting at? You'd receive that 5.86% annual income no matter how much you invest. And the investment amount is up to you.

Investment Annual Income

\$204,792	\$12,000
\$102,408	\$6,000
\$20,496	\$1,200

Is RioCan's income safe?

In the third quarter, RioCan's adjusted funds from operations (FFO) payout ratio was 89.7%, so there's no danger to its distribution, although a lower ratio would create more safety for its distributions.

The REIT also consistently increases its FFO, which is equivalent to earnings for the typical company. From 2010 to 2014, FFO per unit grew at a compound annual growth rate of 6%.

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 a safe place to park your money for a 5.86% yield, consider RioCan REIT, which has been paying a monthly distribution since 1995. It currently yields 5.86% and occasionally hikes its distribution.

Although RioCan pays a higher yield than GICs and conveniently pays a monthly distribution, it is considered to be riskier than GICs because it's a stock that's innately volatile. Comparatively, at maturity you would get your principal back from a GIC.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2015/12/24

Author

kayng

default watermark

default watermark