



Get \$1,000 Every Month From Allied Properties Real Estate Investment

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 they typically own and operate hundreds of properties.

About Allied Properties REIT

Allied Properties Real Estate Investment ([TSX:AP.UN](https://www.tsx.com/quote/AP.UN)) owns and manages principally Class I properties in urban locations such as Quebec, Montreal, Ottawa, Toronto, Winnipeg, Calgary, Edmonton, Vancouver, and Victoria. Since its initial public offering in 2003, Allied Properties has amassed about 146 office properties spanning 10.5 million square feet.

It has 60% of its net operating income coming from central Canada, 22% is from eastern Canada, and 18% is from western Canada. Its biggest tenant only contributes 3.2% of its rental revenue, so Allied Properties has little tenant concentration risk.

Allied Properties has declined a long way from its 52-week high of \$41 and now trades only 2.3% above its 52-week low. The REIT just increased its distribution by 2.8% last month. At \$30.50 per unit, the shares yield 4.9%.

How to receive \$1,000 in monthly income

Buying 8,000 units of Allied Properties at \$30.50 per unit would cost a total of \$244,000. You'd receive \$1,000 per month, a yield of 4.9%.

Most of us probably don't have that kind of cash lying around. No problem. You could buy 4,000 units

at \$30.50, costing a total of \$122,000, and you'd receive \$500 per month and still get a 4.9% yield from your investment.

Okay, \$122,000 is still too much. Instead, you could buy 800 units at \$30.50 per unit, costing \$24,400, and you'd receive \$100 per month.

See what I'm getting at? You'd receive that 4.9% annual income no matter how much you invest. And the investment amount is up to you.

Investment Annual Income

\$244,000	\$12,000
\$122,000	\$6,000
\$24,400	\$1,200

Is Allied Properties's income safe?

From 2003 to 2009 Allied Properties increased distributions at an average rate of 6.3%. Although the REIT only maintained its distribution between 2009 and 2011, it has started increasing its distribution since then. Specifically, in the last two years its distribution increased by 3.5% and 2.8%, respectively.

Its adjusted funds from operations payout ratio is about 83%, which gives a margin of safety for its distribution, so its annual payout of \$1.50 should be safe.

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, consider Allied Properties, which offers an above-average yield of 4.9% at \$30.50 today.

Although Allied Properties 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. On the other hand, the REIT has the potential for price appreciation. Comparatively, you would get your principal back from a GIC at maturity.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2016/01/20

Author

kayng

default watermark

default watermark