



Collect \$1,200 in Monthly Rent Without Becoming a Landlord

Description

Over the last 30 years, countless Canadians have built some serious long-term wealth by buying rental properties.

They've been aided by a number of different trends. Government policies have encouraged home ownership. Interest rates have been on a steady march down. And real estate went from an unloved asset class to a major part of the economy. Add those factors together, and it translates into an investment that's delivered serious gains.

There's scant evidence the next 30 years will be better than the last 30 for real estate investors. Interest rates can't go much lower. Canadian borrowers are in a record amount of debt. And cap rates in Canada's largest cities are as low as 3%. Those aren't the qualities I look for in a long-term investment.

Plus, owning individual property takes work. An investor has to show the place, collect the rent each month, coordinate repairs, and clean the place up in between tenants.

There's a better way. REITs offer better yields than rental properties, instant diversification, and true passive income, all without lifting a finger.

Here's how investors can earn some serious cash each month from some of Canada's top REITs.

Earn \$1,200 per month

REITs come in all shapes and sizes. Some own retail property, others buy up office buildings, and some concentrate in the industrial sector. Many REITs are even more diverse, owning a little property from different sectors.

Cominar Real Estate Investment Trust (TSX:CUF.UN) is one of those diverse REITs. The company owns 566 office, retail, and industrial properties across Canada with the vast majority of its holdings in Quebec. It is the province's largest landlord. Cominar pays a \$0.1225 per share monthly dividend, good enough for an 8.6% yield.

Dream Global REIT (TSX:DRG.UN) is one of the largest owners of high-quality office properties in Germany, owning 13.4 million square feet of leasable space spread out over 208 properties. Some 22% of gross rent comes from Deutsche Post, a percentage the company is actively working towards bringing down. Each share pays a \$0.067 monthly dividend for a 9.2% yield.

Artis Real Estate Investment Trust ([TSX:AX.UN](#)) is another REIT with a diverse set of assets. It owns 252 properties in Canada's five western-most provinces as well as a smattering of assets in three U.S. states. It has 50% of its portfolio in office property, with 25% in each of retail and industrial. The company pays a \$0.09 per share monthly dividend for a yield of 8.4%.

The only real issue with buying REITs with such high yields is the risk to the dividends. Cominar has a payout ratio of over 90%. Dream Global's is even higher at just over 100% (although that is projected to come down in 2016). Artis's payout ratio is much lower, coming in at 83%.

To get a monthly income of \$1,200 per month, investors would have to make the following investments. Please note these amounts do not include any brokerage commissions.

Company	No. of Shares	Total Investment
Cominar	3,265	\$55,929.45
Dream Global	5,970	\$52,058.40
Artis	4,444	\$57,460.92
Total		\$165,448.77

**Not exact due to rounding*

Investors are also getting a bonus by buying these REITs today, since each trade under their net asset values by anywhere from 15% to 25%. Think of it as though you're buying a condo worth \$400,000 for \$320,000. Getting that kind of discount is something that just makes this investment all the sweeter, since the value of these shares should slowly move back towards net asset value over time. Investors are poised to get some capital gains to go along with their dividends.

Not every investor has \$165,000 kicking around to put to work. So start smaller. An investment of 1/10th the size will still spin off \$120 a month. That's enough to pay for a cell phone or a cable bill. The beauty of REITs is you can start small. What are you waiting for?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)

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