Get $1,000 Every Month From Cominar 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 decent 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 Cominar REIT

Cominar Real Estate Investment Trust (TSX:CUF.UN) is one of the biggest diversified REITs in Canada. At the end of 2015, it owned 566 properties totaling 45 million square feet of gross leasable area with $8.2 billion of assets.

Cominar REIT owns, manages, and operates a portfolio of retail, office, industrial, and mixed-use properties, and it pays one of the highest yields on the Toronto Stock Exchange today.

Cominar REIT generates about 52% of net operating income from Montreal, 23% from Quebec, 16% from Ontario, 5% from western Canada, and 4% from the Atlantic provinces.

How to receive $1,000 in monthly income

Buying 8,223 units of Cominar REIT at $17.17 per unit would cost a total of $141,189. You'd receive $1,000 per month, a yield of 8.5%.

Most of us probably don't have that kind of cash lying around. No problem. You could buy 4,112 units at $17.17, costing a total of $70,595, and you'd receive $500 per month and still get an 8.5% yield from your investment.

Okay, $70,595 is still too much. Instead, you could buy 823 units at $17.17 per unit, costing $14,119, and you'd receive $100 per month.

See what I'm getting at? You'd receive that 8.5% annual income no matter how much you invest. And the investment amount is up to you.

Investment	Annual Income
$141,189	$12,000
$70,595	$6,000
$14,119	$1,200

Is Cominar REIT's income safe?

Cominar REIT's adjusted funds from operations (FFO) payout ratio is about 95%, so there's little margin of safety for its distribution. However, its FFO tends to be pretty stable year over year. As well, it maintains a high occupancy ratio of about 92%. So, its high yield remains safe for now.

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 of 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 high yield, consider Cominar REIT, which has been paying a monthly distribution since 1998 without ever cutting it. If the REIT falls to the $15 level or lower, it'd be a stronger buy.

Although Cominar REIT pays a much 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

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kayng