Get $1,000 Every Month From Artis 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 Artis REIT

Artis Real Estate Investment Trust (TSX:AX.UN) is a diversified REIT in Canada. At the end of 2015, it owned 252 properties totaling 26.2 million square feet of gross leasable area with about $5.6 billion of assets.

Artis REIT generates about 50% of net operating income from office properties and 25% from industrial and retail properties. And it pays one of the highest yields on the Toronto Stock Exchange today.

About 67% of Artis REIT's gross leasable area (GLA) is in Canada and 33% is in the U.S. Of its bigger GLA exposure, 25% is in Alberta and Minnesota, respectively. Artis's entrance into the U.S. market six years ago is improving the REIT's fundamentals by diversifying away from Canada and allowing it to profit from a strong U.S. dollar.

None of Artis REIT's tenants contribute more than 1.9% of its gross revenue, so it has no single-tenant risk.

How to receive $1,000 in monthly income

Buying 11,112 units of Artis REIT at $13.20 per unit would cost a total of $146,679. You'd receive $1,000 per month, a yield of 8.2%.

Most of us probably don't have that kind of cash lying around. No problem. You could buy 5,556 units at $13.20, costing a total of $73,340, and you'd receive $500 per month and still get an 8.2% yield from your investment.

Okay, $73,340 is still too much. Instead, you could buy 1,112 units at $13.20 per unit, costing $14,668, and you'd receive $100 per month.

See what I'm getting at? You'd receive that 8.2% annual income no matter how much you invest. And the investment amount is up to you.

Investment	Annual Income
$146,679	$12,000
$73,340	$6,000
$14,668	$1,200

Is Artis REIT's income safe?

Artis REIT's adjusted funds from operations payout ratio is about 83%, so there's a margin of safety for its distribution. As well, it maintains a high occupancy ratio of about 93%. So, its high yield 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 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 Artis REIT, which has been paying a monthly distribution since 2007 without cutting it. If the REIT falls to the $11 level or lower, it'd be a stronger buy.

Although Artis 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

TICKERS GLOBAL

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

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