Collect $1,000 Per Month in Passive, Stress-Free Rent

Description

In 2016, it's hard to be a landlord.

There used to be a huge information advantage for a reasonably informed landlord. As long as the landlord had a good grasp on the Residential Tenancies Act, they had a huge knowledge gap on the average tenant. The internet has made much of that knowledge gap disappear.

This isn't the only factor affecting landlords. Cap rates have cratered along with interest rates, especially in Canada's largest cities. And if you believe the naysayers, Canada's entire real estate market is beyond due for a crash. That's bad news for a landlord who is dependent on capital appreciation to make a decent return.

And then there's all the work a landlord has to do. They have to show it to prospective tenants, collect the rent, make minor and eventually major repairs, coordinate move-ins and move-outs, and a million other little things. I'm exhausted just thinking about it.

Fortunately, there's an easier way. REITs allow regular investors to own a diverse set of properties 100% passively. And since certain parts of the sector are quite beaten up right now, investors can even buy these assets at a discount to their true worth, all while collecting dividends that trump the returns offered by residential real estate.

Let's take a closer look at a few of my favourite REITs and how you can collect a major amount of income from them.

H&R

H&R Real Estate Investment Trust (TSX:HR.UN) is Canada's second-largest REIT with a market cap of $6.2 billion. In total, including its stake in Echo Realty in the United States, H&R owns 518 properties and 47.1 million square feet of gross leasable area. Approximately 50% of its portfolio is in office properties, with 39% in retail, 8% in industrial, and 3% in residential.

H&R isn't only diverse from a sector or tenant perspective. It also has spread its property all across

North America. Approximately 33% of its net operating income comes from Ontario, 30% from the United States, 27% from Alberta, and 10% from the rest of Canada.

Although the company is experiencing a little bit of weakness from the Alberta market, it really isn't much to worry about. Overall occupancy continues to exceed 95%, even after the company was dealt a big blow when **Target** left Canada. The 6.2% dividend is safe as well with the payout ratio coming in at less than 70% of funds from operations in the most recent quarter.

Northview Apartments

One of the major knocks against some of Canada's largest apartment REITs are their somewhat puny yields. Some are even below 4%, which isn't that exciting.

Northview Apartment REIT (TSX:NVU.UN) has a much higher dividend, coming in at 7.8%. The company, which owns more than 24,000 residential suites across eight provinces, has also been a pretty aggressive raiser of its dividend, increasing it eight times in the last 13 years.

Another dividend increase may be on its way. The company currently boasts a payout ratio of less than 70% of funds from operations and management is in the middle of a value-creation program that's projected to increase funds from operations by approximately 10% over the next year.

Crombie

Crombie Real Estate Investment Trust (TSX:CRR.UN) primarily owns Sobeys and Safeway-branded grocery stores in prime locations. These are great long-term tenants.

Crombie features a low payout ratio of less than 80% of funds from operations and a dividend yield of 6%. The company also recently announced a big acquisition, buying $418 million worth of real estate from its parent company, **Empire Company**. Empire is the primary shareholder in Crombie, holding approximately 40% of its subsidiary's shares.

How to collect $1,000 per month

To collect $1,000 per month from these three companies, investors would need to buy

- 2,960 H&R REIT shares, an investment worth $64,616
- 2,452 Northview Apartment REIT shares, an investment worth $53,229
- 4,490 Crombie REIT shares, an investment worth $66,541

Admittedly, scrounging up close to $185,000 isn't something the average investor can do–at least not yet. But even if you put in just a few hundred dollars per month, eventually you'll get to the point where these REITs are churning out some serious income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

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