



Collect \$1,000 Per Month From Artis Real Estate Investment Trust

Description

It's good to have extra income. No wonder dividend investing is so popular.

Depending on where an investor is in life, dividends can have different purposes. When you're younger and looking to continue growing assets, dividends are a nice way to really accelerate the compounding effect. All an investor needs to do is continually put their dividends back to work, perhaps even in the same company.

When investors get a little older, a steady stream of dividends becomes even more important. Instead of drawing down their portfolio, these folks can just live on the income provided by investments. This leaves the original capital intact.

REITs are some of the best income investments out there. They pay sustainable yields far higher than most other stocks, plus they offer potential for capital appreciation. It's little wonder why the sector is so popular with dividend investors.

Artis Real Estate Investment Trust ([TSX:AX.UN](#)) is one of Canada's largest REITs, and its 8.3% yield makes it especially popular with dividend lovers. Let's take a closer look at the company, including how investors can use it to collect \$1,000 per month, a truly life-changing amount of money.

The skinny

Artis's portfolio consists of 263 properties and more than 27 million square feet of gross leasable area. The portfolio is split as follows: 54% office properties, 22% retail, and 24% industrial. The majority of holdings are located in Canada's five westernmost provinces—British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. Artis also has holdings in four U.S. states, which account for about a third of net income.

The issue with the company continues to be its exposure to Alberta. Approximately a third of net operating income comes from the province, which has gone from an economic powerhouse to struggling as oil plunged. This has caused overall occupancy in the region to slowly decline, although this hasn't really been seen in results as weakness in the Canadian dollar has helped earnings from

the United States.

According to company estimates for the rest of 2016, funds from operations are expected to be slightly higher than in 2015, increasing from \$1.49 per year last year to \$1.51. Not only does that put shares comfortably under nine times funds from operations, but it also gives the company a payout ratio of just over 70%. That number indicates the company's generous dividend looks to be pretty safe.

Artis is also cheap on another metric—net asset value. According to a recent investor presentation, management thinks Artis has a net asset value of \$14.81 per share, despite trading at just \$12.98 per share. That's a discount of more than 12%.

One thing REIT investors look for is the strength of the company's balance sheet. Although Artis does have a debt-to-assets ratio of a little over the 50% level investors like to see, it is sitting on more than \$160 million in cash and should be able to continue raising more cash thanks to its low payout ratio and dividend-reinvestment program.

Collect \$1,000 per month

For the average retail investor just starting out, owning enough Artis shares to get \$1,000 per month in income seems like an impossible task. It would take a total position of more than 11,100 Artis shares—a stake currently worth in excess of \$144,000. That's the amount of a starter home in some of Canada's smaller cities.

For some, perhaps collecting \$100 per month from this investment is the more obtainable goal. You'd need 1,111 shares to do that—an investment worth a little more than \$14,000. While \$100 per month might not be life changing, it's still enough to pay a cell phone or internet bill every month. It's a nice start.

For investors looking to build a portfolio that rains passive income, REITs are a good place to start. With its cheap valuation, sustainable payout ratio, and history of solid growth, Artis is a great choice for dividend investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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