



Collect \$1,000 in Monthly Income From Crombie Real Estate Investment Trust

Description

Many investors have one goal, which is to create a passive-income empire that pays them through thick and thin, no matter what.

There are many different ways to achieve this goal. Some use leverage and load up on physical real estate. Others invest in mortgages, either directly or through a pooled investment. Dividend-growth investing continues to be popular. And stocks with high dividends will always have an appeal.

Many investors use a combination of all of these, knowing passive income from diverse sources will hold up better during the next recession.

Real estate investment trusts (REITs) are a common source of passive income. Investors like the sector because it's easy to understand, rents offer consistent income, and because most REITs benefit from scale.

Grocery REITs can be particularly attractive. Grocery stores are usually long-term tenants. They tend to get decent foot traffic, which attracts other tenants. And most leases are triple-net, which means the store itself is responsible for any upkeep. The owner of the store just sits back and collects the rent.

Crombie Real Estate Investment Trust ([TSX:CRR.UN](#)) is one of Canada's largest grocery REITs. Let's take a closer look at how it can be part of any investor's passive-income machine.

The skinny

Crombie was spun out of **Empire Company Limited** in 2006. It has slowly acquired properties from its parent in the meantime, including a bunch when Empire acquired Safeway in 2014. Crombie's total portfolio consists of 283 different buildings, spanning nearly 19.3 million square feet.

Most of real estate consists of retail space, but the REIT also owns office space in Atlantic Canada. It recently announced a \$418 million purchase from Empire, which included 19 retail properties and a 50% interest in three distribution centres.

Empire is still a major holder of Crombie, owning more than 40% of outstanding shares. As you can expect, both Sobeys and Safeway stores are overwhelmingly the largest tenants.

Earnings

The company recently released second-quarter earnings that were a little lacklustre.

It reported funds from operations of \$0.28 per share—down slightly from \$0.30 in the same quarter last year. Results for the first six months of the year were a little better with funds from operations checking in at \$0.57 per share—the same as the year prior. Property revenue was up approximately 6% because of the aforementioned acquisitions, but earnings were tepid because of a one-time payment in the year-before period.

Annualized, Crombie is on pace to deliver \$1.14 per share in funds from operations. Shares trade hands at \$13.32, giving it a price-to-earnings ratio of 11.7.

The dividend

Crombie pays investors a dividend of 7.41 cents per share per month, which works out to a yield of 6.7%. Thanks to recent weakness in the shares, Crombie currently offers its highest yield since March.

The distribution looks to be sustainable too. The payout ratio for the first half of 2016 is less than 80% of funds from operations. Although that is creeping up a bit versus last year, Crombie should be able to grow earnings from its acquisitions and its development portfolio.

Collect \$1,000 per month

The power of a stock such as Crombie is it can generate a huge amount of income.

Say you were looking to generate \$1,000 per month in passive income. It would take 13,500 Crombie shares to make it happen—an investment worth just under \$180,000.

I realize \$180,000 seems like a lot of money, so let's start a little smaller. An investment of \$18,000 could generate \$100 per month in income—enough to pay for a cell phone bill or some other utility.

The bottom line

Crombie Real Estate Investment Trust has the potential to be a great passive-income generator. Shares are down approximately 15% in the last three months, making today a great time to start loading up on shares. In today's low interest rate world, a dependable 6.7% yield is hard to pass up.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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