Earn $500/Month in Passive Income From These 3 Real Estate Studs

Description

For many investors, the holy grail of this whole journey is having enough passive income to cover their expenses. Some choose to do this by collecting dividends, while others turn to real estate.

There are numerous advantages to buying a condo or three and renting them out. A relatively small amount of money can get someone into the property game. The renter eventually pays off the mortgage, leaving the landlord with an asset spinning off plenty of cash. And various expenses can really minimize taxes.

But there are plenty of disadvantages, too. Managing property is a pain, especially if it isn't right around the corner. High amounts of leverage can be incredibly risky. Some tenants have high expectations and will call the landlord over the tiniest things. It's also not easy for small landlords to properly diversify their real estate portfolio outside of one city. This could end very badly.

There's a better way. Investors can buy fully passive real estate investments — real estate investment trusts (REITs) — and get comparable yields versus buying physical houses. REITs also offer expert management, coast-to-coast diversification, and access to different kinds of properties.

Here are three great REITs to get you started and a blueprint on how to earn $500 per month from them. Who couldn't use an extra $500 each month?

Three great companies

Let's start with **RioCan Real Estate Investment Trust** (TSX:REI.UN). As fellow Fool Victoria Hetherington recently pointed out, RioCan is Canada's largest REIT with a market cap of nearly $8 billion. This blue-chip status means the stock should hold up better than its peers during the next bear market.

RioCan is focusing its attention on Canada's largest cities, especially Toronto. It's sitting on numerous properties that can be profitably transformed from retail into mixed-use spaces featuring both shopsand condos. By the end of this process, RioCan will add thousands of apartments to its portfolio. While investors wait for this to happen, they can sit back and collect the 5.9% yield.

H&R Real Estate Investment Trust (TSX:HR.UN) is also a behemoth, boasting a market cap of $5.6 billion. H&R is a fully diversified REIT, owning residential, retail, office, and industrial space split between the United States and Canada.

H&R is expanding rapidly into the U.S. apartment market, with more than 6,000 units located in Texas, North Carolina, and Florida. It's also building a huge new development just outside New York City with a partner.

The stock currently offers a yield north of 7%.

Automotive Properties Real Estate Investment Trust (TSX:APR.UN) isn't nearly as large as RioCan or H&R. Its market cap is a mere $263 million. Automotive Properties is the owner of 39 car dealerships across Canada across a multitude of different brands. It then leases these locations to dealership operators. Dilawri operates most of the REIT's dealerships today, but diversification efforts are happening. Automotive Properties recently announced it will be acquiring two dealerships from **AutoCanada**, with that company agreeing to stay on as the dealership operator.

Automotive Properties offers one of the more interesting growth stories in Canada today. The vast majority of auto dealerships are owned by individuals, not big corporations. As these folks sell out and the sector becomes more consolidated, the operators of dealerships will realize they can expand much faster by flipping the underlying real estate to Automotive Properties. This growth story is already working; Automotive Properties has increased its gross leasable area by 58% since its 2015 IPO.

Collect $500 a month

To collect $500 each and every month from these three REITs, investors would need to buy:

- 1,391 RioCan shares for a total investment of $33,370
- 1,452 H&R shares for a total investment of $28,154
- 2,492 Automotive Properties shares for a total investment of $24,720

Note that these amounts may be slightly off due to rounding.

In total, you'll need a little more than $86,000 to generate $500 each month in passive income from these three REITs. That's a lot of money; I'm the first to admit that. But remember, owning property isn't a short-term game. It takes traditional landlords decades to get to the point where their properties are spinning off serious cash flow. You'll need similar amounts of patience to make this type of real estate investing work too.

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Date
2025/08/20
Date Created
2018/10/12
Author
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