



Lazy Landlords: Add \$500/Month in Passive Income From Canada's Finest REITs

Description

Real estate investors tend to follow one of two paths. They can either buy distressed properties — and then fix them up for maximum cash flow — or they can choose the best places in locations where people want to live. In a nutshell, these investors are either buying the worst house on the block or the best one.

There are ways to make money using both methods, but buying quality has many benefits. It's easier to raise rents in a property you know has potential to be rented out easily. A sought-after property will also command a higher selling price. And the owner will likely pay less for repairs, too.

Investors can take this thought process and adapt it to buying real estate investment trusts (REITs) as well. There are a number of trusts that focus on investing in properties that have a high initial return. Others focus on owning great assets and will take less of a return to do so.

Although it differs on a company-to-company basis, I can't deny the overall trend. REITs that focus on owning higher-quality assets — often combining that with a lower payout ratio — tend to do better than their peers.

With that in mind, let's check out a couple of Canada's best REITs and how you can use these companies to start your own passive-income empire.

RioCan

RioCan Real Estate Investment Trust ([TSX:REI.UN](https://www.scribd.com/document/444444444/TSX-REI-UN)), which has long been considered one of Canada's best REITs, has recently taken steps to cement its status on the top. It got out of the United States, and now it's in the process of selling non-core property not located in Canada's six largest markets.

Specifically, the REIT wants to focus on properties it feels have significant redevelopment potential. The company has plans to convert dozens of retail-only spaces into mixed-use facilities that offer a combination of retail space and apartments or offices.

This ambitious growth plan will take the better part of a decade to finish, but when it's finished RioCan's newly diverse portfolio will be the envy of the rest of the sector.

In the meantime, investors are paid a 5.7% dividend to wait — a payout that should go up as these new developments add to the bottom line.

Choice Properties

Choice Properties REIT ([TSX:CHP.UN](https://www.tsx.com/stocks/CHP)) has come a long way from its 2013 IPO when it got the vast majority of its income from **Loblaw Companies**.

In 2018 the company agreed to merge with Canadian Real Estate Investment Trust, which immediately gave it a strong industrial and office component. It's obvious investors like the diversification too; Choice Properties shares are up some 10% since the merger was announced, not including dividends.

Like RioCan, Choice Properties also has significant redevelopment potential. It has chosen to focus on adding apartments to approximately 60 sites that have already been predetermined. Its properties are in prime areas of Canada's largest cities and will offer residents access to transit as well as close proximity to a grocery store.

Choice Properties also offers investors a 5.7% yield.

Collect \$500/month

Since both Choice Properties and RioCan offer virtually identical payouts, it would take a similar investment in both to collect \$500/month in passive income.

It would take approximately \$44,000 in both RioCan and Choice Properties shares to generate \$500 each month from the two stocks combined. That's approximately 1,740 and 3,380 shares in each company, respectively.

Perhaps \$500/month is a little out of your reach. It'll take an investment of just over \$17,500 into these two stocks to create a passive-income stream worth \$100 per month. That's a good start.

And remember, both these stocks have dividend-growth potential. Long-term increases might not be as spectacular as other dividend growers, but I believe investors should be able to count on these two companies at least keeping up with inflation over the long term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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