



## Generate an 8% Passive Income With This Small-Cap REIT Stock

### Description

**Automotive Properties REIT** ([TSX:APR.UN](https://www.tsx.com/stocks/quotes/APR.UN)) isn't a household name. Its long-term investors likely don't care, however, as the stock has delivered reliable, outsized dividends for the past five years.

If you want to create a passive-income stream that generates 8% returns or more annually, take a closer look at Automotive Properties.

### Do the work, reap the rewards

Investing in real estate has long been a favourite among income investors. As long as occupancy is filled, properties can generate consistent, monthly returns for years or even decades. Plus, the underlying property often gains value over time, allowing rents to rise as well.

However, most investors make a huge mistake when pouring money into real estate stocks: they only focus on the largest names.

For example, **Simon Property Group** and **Prologis** are two of the most popular REITs in North America, with market capitalizations in excess of \$50 billion. Yet investors pay a premium for scale and familiarity — both of these stocks have dividend yields smaller than 5%.

How can investors get a better income stream? Your best bet is by digging deeper into the market's options, exploring companies that are both smaller in size and less covered by the media and Wall Street analysts.

Meet Automotive Properties, a \$250 million REIT with an 8% dividend.

### Niche industries produce big profits

Most real estate companies focus on gigantic, generic opportunities like office space, industrial-zoned properties, or residential condos. Automotive Properties has taken the opposite approach by targeting

a significantly smaller opportunity: automotive dealerships.

Every dealership needs a fair amount of property to house their showrooms, offices, and inventory. That's where Automotive Properties specializes.

Last year, the automotive sector in Canada remained strong with more than \$150 billion in sales. Automotive Properties benefited directly from that strength by owning 54 properties where dealerships are located, most of which are in major urban centres with reliable streams of customers. Dealerships often lease the underlying land, and currently, the company enjoys average lease terms of around 13 years.

Not only do these properties have long-term, stable tenants, but they also enjoy characteristics that ensure usage for decades to come. That's because these properties are located in areas that are specifically zoned for automotive retail use. When a lease expires, dealers often don't have many other options apart from renewing the contract. Not only would they need to build new buildings and transport all of their inventory, but there may not be another appropriately zoned location to move into.

These factors make Automotive Properties's business model very attractive considering they have long-term customers with few alternatives to choose from.

## Stick with this big dividend

Automotive Properties has paid out a consistent \$0.067 monthly dividend since its IPO in 2015. Nothing about its fundamentals suggests this won't be the case for years to come.

Currently, that payout results in a dividend yield of around 8%. If you're looking to add income-generating stocks to your portfolio, Automotive Properties should be at the top of your list.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)

### PARTNER-FEEDS

1. Msn
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### Date

2025/09/17  
**Date Created**  
2019/03/15  
**Author**  
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