



Lazy Landlords: Collect \$1,000/Month in Passive Income From This Rock-Solid REIT

Description

Many investors dream of owning a rental property or three, an investment that would give them a significant amount of passive income. For some, this represents the perfect retirement project — something to do while offering enough flexibility to travel.

But there are enough disadvantages to owning your own rental property that I'd encourage investors to explore a different option. Owning physical property means putting a significant chunk of your net worth into one city, which could be risky.

Regular investors are usually limited to residential property, which offers anemic cap rates in major cities in Canada today.

While some people might enjoy the work of owning a rental, many don't. There are many things a landlord must do, including acquiring tenants, keeping the property maintained (which is always cheaper if you do it yourself), staying on top of paperwork, and a menagerie of other tasks.

There's a better solution. An investment in one of Canada's top real estate investment trusts (REITs) offers instant diversification across both cities and asset classes, access to smart management teams making optimal capital allocation decisions, and best of all it's a true passive investment. All you need to do is buy, hold, and collect your succulent dividends.

Let's take a closer look at one of these REITs, **B2B Real Estate Investment Trust** ([TSX:BTB.UN](https://www.b2brealty.com)). Here's how you can collect some serious cash from this real estate stud.

Why B2B?

B2B has quietly grown to become one of Quebec's largest landlords, a province that has been posting some impressive economic growth numbers of late.

B2B's portfolio consists of more than 5.4 million square feet of gross leasable area, spread over 67

different properties. The trust holds retail, office, and industrial real estate, with office space making up the largest portion of the portfolio.

Approximately 40% of assets are in office space, 28% is in industrial, and 25% is in retail. B2B also owns some mixed-use property. The company is still relatively small, at least when compared to some of the larger REITs. It has just under \$900 million worth of assets. Approximately 80% of holdings are located in Quebec, focused on the two largest markets in that province.

The rest of its portfolio is invested in Ontario, primarily in Ottawa and London. B2B's small size means it should be able to grow at a nice pace in the future.

From a valuation perspective, B2B looks attractive on a number of different metrics. Let's start with book value, which sees the stock trade at about a 13% discount to the value of the underlying holdings. Sure, there are cheaper REITs out there — [like this one](#) — but a discount is still a good thing.

B2B is also cheap on a price-to-earnings perspective. The company reported \$0.45 per share in funds from operations in 2018, while shares trade today at \$4.66 each, which gives the company a very reasonable price-to-funds from operations ratio of just over 10 times earnings.

Collect \$1,000 per month

Perhaps the best part of an investment in B2B is the company's succulent dividend. The current payout is \$0.035 per share each month, which is good enough for a 9% yield.

The trust has a payout ratio in the 90% range, which is a little high. This should decrease over time as the company grows, however.

In order to collect \$1,000 in B2B dividends each month, an investor would need to purchase 28,572 shares. Thanks to the low share price, this is more affordable than you'd think. This would cost you just a hair over \$130,000.

Sure, \$130,000 seems like a lot of money, but it's a pittance when compared to buying a condo in any major Canadian city.

If \$1,000 per month is too much for you, there's no shame in starting smaller. A \$100/month dividend stream would set an investor back just \$13,000.

[Passive income](#) is a remarkable thing, so start building your empire today.

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