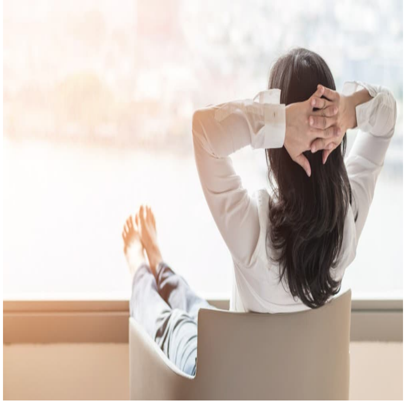

Lazy Landlords: Collect $500/Month in Rental Income From This Forever Asset

Description

One thing I really like about real estate is, it's a forever asset. You don't have to worry about it going out of style or being replaced by sexy competition. There's always going to be a place for real estate.

Some investors like putting their cash to work buying apartments, because it's very easy to understand that business. People always need somewhere to live. Retail real estate is easy to judge, too. It's easy to see whether a location has plenty of foot traffic or not.

But I believe some of the best opportunities out there are in specialty real estate — the kinds of sectors investors haven't really paid attention to. A company can consolidate a certain type of real estate, creating some serious value for investors over the long term. And it can do it while paying a succulent dividend.

Let's take a closer look at one type of this investment and how you can collect some serious passive income from it.

The skinny

Medical Facilities (TSX:DR) owns surgical centres in the United States along with physician partners. The company owns seven ambulatory surgery centres and five specialty surgical hospitals spread over 11 different states. These assets generated US$437 million in revenue in 2018, which translated into just under US$100 million in EBIDTA.

It's a smart business model for a couple of important reasons. The physician partners take care of property management, which is a big perk. And having these doctor partners on the front lines means they know exactly what to invest in for future growth. There are no better experts at medical real estate than doctors themselves.

The company gets the majority of its revenues from private insurance followed by the various parts of the U.S. government that pay for medical care. This revenue mix is expected to skew more towards Medicare/Medicaid over time, as the U.S. population ages and depends on the government to pay for these services. And remember, older folks tend to go to the hospital more than younger people.

The growth potential in this space is absolutely massive. There are approximately 5,500 ambulatory surgery centres in the United States today. Medical Facilities owns eight. There's also huge potential to add more specialty surgical hospitals to the portfolio. And the company has yet to expand into acute care hospitals, which is a massive long-term expansion possibility.

In other words, this growth story is just getting started. And with nearly $50 million worth of cash on its balance sheet (versus a market cap of just over $400 million), and very reasonable debt level, Medical Facilities is poised to take advantage of it.

Plus, investors are getting all this for a cheap valuation. In 2018, the company reported distributable income of $1.58 per share. The stock is currently trading at just over $13. That gives us a price-to-earnings ratio of 8.2, a huge bargain when factoring in growth potential.

Collect $500/month

Medical Facilities pays a generous dividend of $0.094 per share each month, which is good enough for an 8.7% yield. The payout is sustainable, too. The company's payout ratio in 2018 was just 71%, and it was under 70% the year before that.

This gives investors the opportunity to collect some serious cash without putting up a huge amount of capital. To get $500 each and every month from an investment in Medical Facilities, you'd need to buy 5,320 shares. At $13 per share, that would set you back $69,160.

There's nothing wrong with starting smaller if you can't afford a big investment today. An investment of just under $14,000 would yield $100 per month in passive income. That's still enough to make a difference and is a terrific start in your passive-income journey.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. TSX:DR (Medical Facilities Corporation)

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Date
2025/09/10
Date Created
2019/06/25
Author
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