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

Description

Many passive-income lovers dream about becoming a landlord, eventually owning a small empire of properties that throw off gobs of passive, stress-free income each and every month.

Reality is much different. I recently chatted with a local landlord who told me all about the headaches his real estate creates. Between harassing tenants for unpaid rent, dealing with plumbers and handymen for routine repairs, or showing a vacant property to a prospective renter, my friend the landlord says he almost spends as much time on his “passive” income as he does his full-time job.

He also spends a lot of time worrying about the overall value of his investment. A 5% decline in the average house price in our city means he’s lost 25% of the value of his equity after putting 20% down on the property.

There’s a better way. Investors can create true passive income by buying one of Canada’s best real estate investment trusts (REITs) — diverse investments that own property across the country. Let’s take a closer look at one of the best REITs and how you can use it to collect a succulent $500 each and every month.

Which REIT?

I spend a lot of time studying Canada’s top REITs, and the best all seem to share the same characteristics:

- High-quality management
- Steady growth
- A safe dividend
- Quality assets

I believe **H&R Real Estate Investment Trust** (TSX:HR.UN) is one of the few REITs in Canada that can check off all these boxes.

H&R has quietly grown to become one of Canada's largest REITs with a market cap surpassing $6 billion. It owns nearly 12 million square feet of office space, 14 million square feet of retail space, almost 10 million square feet of industrial space, and more than 8,000 residential units, which are located in the United States. The company also owns a third of ECHO, which invests primarily in retail property in the United States.

Approximately one-third of H&R's net operating income comes from Ontario, with another third coming from the United States. The last third is split, with Alberta leading the way at 25%. Most other REITs can only dream of this kind of diversification.

H&R is really focusing on growing its residential component, investing aggressively in certain markets in the United States. It has developments planned — with partners — in markets like San Francisco, Long Beach, and Miami. We don't need to worry about the company's ability to afford these new projects, either. It has one of the best balance sheets in the industry.

The company's management team are some of its top investors, with insiders owning approximately 6% of the company. This is quite high for the sector, where equity is constantly raised to pay for acquisitions.

Finally, investors who buy in today are getting a deal. The company estimates its net asset value is north of $26 per share. The current price is $22.68. This translates into more than a 10% discount versus the value of the assets.

Get paid $500/month

H&R offers an $0.115 per share monthly dividend, which is good enough for just over a 6% yield today. The payout ratio is comfortably under 80% of funds from operations, which means the distribution is secure.

To generate $500 each month from H&R REIT, you'd need to own 4,348 units. This would set you back just a hair under $100,000 — $98,612.64 to be exact.

That might be unobtainable today, but starting smaller can still have a big impact on your finances. A little under $20,000 invested would translate into a $100/month income stream. That's enough to pay for an electric bill or a couple of nice meals out each month.

The important thing is to get started with earning passive income. H&R REIT is a terrific choice.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2019/08/05
Author
nelsonpsmith