TFSA Landlords: Collect $600/Month in Passive Income With These REITs

Description

Being a landlord isn't all it's made to be.

It's not as simple as sitting on your butt and collecting monthly rent. Unfortunately, ample overhead costs and labour on your part are required. In some instances, being a landlord can be a full-time job, and if you're planning on using such rental income to retire, you could be in for a nasty surprise.

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Not only will you need the help of a handyman when things go wrong, but you may also need to chase after that rent you're owed from time to time!

For those who desire consistent income via real estate, there's a better option that doesn't require you to do a heck of a lot. Enter REITs, the alternative asset class that's not only a great source of stable income but also an excellent beta-reducer for anyone's portfolio.

Many Canadians have hit the $100,000 TFSA milestone by now and assuming a 7.2%, such as what's offered by **Automotive Properties REIT** (TSX:APR.UN), one can earn an extra $600 per month in tax-free income.

Of all the REITs out there, Auto Properties REIT is one of the most misunderstood. With fears of an imminent recession and the peak auto cycle in the air, it's tough to justify a massive bet on a security with auto in the name.

While the auto industry is bound to implode come the next economic downturn, Auto Properties REIT isn't going to face a hard landing as many would expect.

The REIT has been scooping up auto dealership properties, renting them out to dealers with long-term triple net leases.

As you'd imagine, having autos rolling around your property on the daily would subject your property to a potentially higher rate of wear and tear. Triple net leases are structured such that the tenant (the auto dealership) is on the hook for expenses on the property, including insurance and maintenance, neither of which are included in the rent owed to Auto Properties REIT.

Triple net leases tend to be slightly cheaper because of the additional expenses not present with other leases, but they also offer a greater degree of cash flow stability and certainty for investors who just want to collect their distributions on the monthly.

Auto Properties REIT is a growth-oriented REIT, meaning that investors can expect distribution raises at a quicker rate than most other REITs with comparable yields. The REIT is continuing to grow its impressive portfolio of locations, most of which are located in Canadian urban centres.

With a weighted average lease term of over 13 years, Auto Properties REIT has an attractive leasing profile that will keep it thriving through the next recession or two.

A safe and growing distribution that yields 7.2%? With Auto Properties REIT, you'd better believe it.

The name can allow you to have your cake and eat it too. So, if you're on the hunt for significant income and above-average growth, stash the name in your TFSA, forget you own it and collect those distributions.

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