Image not found or type unknown

Lazy Landlords: Collect $500/Month From This Stud REIT in 2020

Description

Real estate has been a pretty solid path to wealth for centuries now.

The formula is always the same. You purchase a property or seven, depending on how big you want to go. The rent cheque pays the mortgage, but the real sweetener is the capital appreciation.

The best part? Investors can control a large amount of property with just a small down payment.

But there are disadvantages to the strategy. It's hard to build a diverse portfolio when you're a small-time operator. You're pretty much stuck to residential property in your own city.

And becoming a landlord isn't exactly passive income. You've essentially bought yourself a part-time job, something that gets more and more involved as you add to the portfolio.

This is why I prefer a different approach. Buying a basket of Canada's best real estate investment trusts (REITs) gives an investor many of the advantages of owning real estate, combined with a true passive investing experience. The only thing left to do is sit back, relax, and collect your dividends.

Some Canadian investors are using this strategy to collect some pretty substantial amounts of passive income. Here's how you can use one REIT in particular to collect $500 per month in 2020.

Which REIT to choose?

I've been pounding the table on **Automotive Properties REIT** (TSX:APR.UN) for a while now, and it continues to be one of my favourites in the sector for a few important reasons.

Let's start with the company's growth profile. Remember, Automotive Properties owns car dealership real estate, assets that are then leased out to operating companies.

There's a wave of consolidation in this industry currently, as larger dealership operators are buying out mom and pop owners. These companies can expand faster if they unload the real estate to Automotive

Properties, which has helped the company more than double its property count since its 2015 IPO.

The current portfolio is some 2.5 million square feet of gross leasable space, spread across Canada, and most of its assets are focused on Canada's six largest markets, which looks to be a pretty solid strategy.

Dealership properties also offer an important piece of diversification, something that is missing in the average portfolio. These are good long-term assets, and the dealership operators who lease this real estate know this too. Thus, the average lease length is longer than 10 years currently, which helps reduce uncertainty going forward.

Although a recent run-up in the stock price means the yield isn't quite as succulent as it was a few months ago, Automotive Properties still pays an attractive dividend of 6.6%.

Investors don't have to worry about the payout, either. The payout ratio has crept down recently, and currently stands at around 80% of adjusted funds from operations, which is solid for a REIT.

Collect $500 per month

In order to get $6,000 per year in dividend income from Automotive Properties REIT, you'd have to buy 7,463 shares, which represents a total investment of $90,899.

That seems like a lot, but perhaps it's more manageable if you break it down into a three year project. Assuming the price stays the same going forward, you'd have to buy 207 shares per month for the next 36 months to get up to 7,463 shares. That's a lot more feasible for most Canadian savers.

And remember, even a few shares can make a difference in your day-to-day finances. 1,492 shares will generate an extra $100 per month in passive income, which is a great start.

The bottom line

Make 2020 the year of passive income by loading up on great dividend payers like Automotive Properties REIT. Your future self will thank you.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/27
Date Created
2019/12/31
Author
nelsonpsmith