How to Make $400 in Passive Income Each Month With Real Estate

Description

Real estate is a great way to generate a passive income stream. Managing real estate, however, can be a pain. Being responsible for maintenance, leasing, taxes, and tenant issues can be a time suck. That's exactly why real estate investment trusts (REITs) exist.

REITs are essentially real estate businesses in the form of a stock. If you buy shares of a REIT, you're buying into a giant portfolio of real estate. You'll get dividends from tenant income, but aren't on the hook for day-to-day operations. You may even accrue capital gains if the properties rise in value. It's a great deal.

But where to start? REITs come in a variety of flavours. Some focus solely on Canada, while others maintain a global asset base. You can buy a REIT that only owns apartment complexes, or another that owns both commercial and industrial properties.

The combinations are endless, but there's only one factor that you should care about: consistent income. Of course you want tenants to pay high rents to boost your annual income, but you also want this rate base to be sustainable. That way, you can receive monthly checks for years, or even decades to come.

This is the pick

When it comes to income potential and long-term stability, it doesn't get much better than **CT Real Estate Investment Trust** (TSX:CRT.UN). That's because it has a secret weapon: **Canadian Tire Corporation Limited** (TSX:CTC.A).

If you're Canadian, you're almost certainly familiar with Canadian Tire. According to consumer surveys, it has brand name recognition above 99%. When it comes to domestic brand trust and loyalty, this retailer leads the pack.

Since 1995, Canadian Tire shares have increased by more than 1,000%. Its market cap now exceeds $9 billion. It has investment-grade credit ratings across the board, as well as an impeccable track record of keeping stores profitable throughout economic downturns.

So, Canadian Tire is a financially strong retail business that can stand the test of time, but what does this have to do with CT Real Estate?

The “CT” in CT Real Estate is short for — you guessed it — Canadian Tire. Rather than managing an assorted portfolio of real estate with dozens of unrelated tenants, CT Real Estate generates nearly all of its income by owning the underlying property of Canadian Tire stores.

Canadian Tire still owns a big chunk of CT Real Estate stock, so their futures are very much intermingled, incentivizing each company to strike deals that benefit both parties.

Because traffic at Canadian Tire locations remains steady throughout the entire economic cycle, CT Real Estate nearly always maintains occupancy rates close to 100%. This is an advantage few competing REITs enjoy.

CT Real Estate currently pays a 4.8% dividend. For every $25,000 you invest, you’ll receive $1,200 per year in dividend payments. That’s $100 every month. The math to generate a passive income stream of $200, $400, or even $1,000 per month should be straightforward.

This isn’t the highest yielding REIT stock on the market, but it’s one of the most reliable. It’ll take a bit more upfront capital to build a passive income stream, but it will be worth the wait when you’re still receiving dividend payments two decades down the road.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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