Stock Investors: Buy This Ultra-High-Yielding REIT for Passive Income

Description

Many Canadian investors searching for a passive-income stream have considered dipping their toes into physical real estate as a means to generate that monthly cash flow they're after. On the surface, the process seems simple: buy a property and start charging enough monthly rent on it to cover your ownership expenses and leave profit for yourself.

In practice, however, there's a whole laundry list of moving parts to manage if you want to own a property. You have to deal with the logistics and possible headaches of finding and screening tenants, showing the place, chasing your tenant down for rent, carrying out repairs and maintenance to the property, and the list goes on. In the end, owning a property might not be so passive after all.

Invest in a REIT for passive income

This is where REITs come into play to offer Canadian investors a much more hands-off, liquid, and diversified way to invest in the real estate market. When investing in a REIT, you put your money in and sit back as the monthly dividends roll in. Of course, you should be actively monitoring the status of all your investments, including REITs. I just mean that you won't have to go out and take care of a leaky toilet when you own a REIT.

REITs are also much more liquid than physical real estate. REITs trade like stocks, and, as such, you can trim or add shares at any time or even completely liquidate your investment if you wish.

Investing in a REIT is also a more diversified way to invest in real estate. Rather than buy one specific type of property in one specific area or city, investing in a REIT gets you exposure to all different kinds of property types across different countries and even continents, depending on the REIT you choose.

This Canadian REIT has a massive yield

H&R REIT (TSX:HR.UN) is one of Canada's largest REITs and offers a spectacular passive-income opportunity with a 6.43% annual yield, paid out monthly. H&R has roughly $14.3 billion in assets, and the combined area of all its properties exceeds 41 million square feet. For those investors who value the importance of dividend growth, H&R has also consistently raised its dividend since mid-2013.

The company's assets include various office, industrial, and retail properties in both Canada and the United States. The company also plans to grow its residential holdings in the United States going forward. All in all, investing in H&R helps ensure that you have a diversified mix of real estate assets shielded against both property type and geography-based risk.

Trading at a P/E Ratio of 18.16, H&R is priced relatively fairly, and expectations of major growth should be tempered. It's important to keep in mind the real power of a REIT isn't in the upside in share price but rather in the monthly surge of cash flow it provides to investors. REITs are even mandated by law to pay out almost all of their taxable income as dividends to their investors. With a juicy 6.43% dividend that's backed up by a solid balance sheet and a history for hiking dividends, Canadian investors can turn into '"lazy landlords" and earn significant passive income with H&R.

The bottom line

Owning physical real estate might not be the right choice for all investors seeking passive income. REITs help solve a lot of the issues around owning property while still providing an attractive monthly payday. One of Canada's largest REITs, H&R, currently sports a whopping and stable 6.43% yield that gives Canadians a way to add substantial passive income to their wallets monthly.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
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Category

1. Investing

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Author
jagseguin