



Lazy Landlords: Your \$1,000/Month Passive Income Stream Has Never Been Closer

Description

As the old expression goes, it's good to own land — especially when you start collecting the passive income generated by real estate.

Traditionally, the way to own real estate has been to manage the property yourself. But that's time consuming, and a lot of it is work that nobody particularly enjoys. Repairing faulty toilets isn't fun; neither is harassing tenants for the rent. You can hire a property manager to take care of this stuff, but that eats away a significant portion of your profits.

Instead, I propose a different method. The best way to start your passive income [real estate empire](#) is to buy a selection of Canada's best real estate investment trusts (REITs), investments that boast instant diversification, smart management, and years of consistent dividends.

And thanks to the COVID-19 market crash, these REITs are currently on sale today. Here are a couple to get you started, and how you can use them to collect some serious passive income.

H&R REIT

H&R REIT ([TSX:HR.UN](#)) is one of North America's largest and most diverse REITs. The company owns office space, retail centres, industrial property, and residential apartments in both Canada and the United States. The portfolio spans more than 41 million square feet of space and is worth nearly \$15 billion.

Shares have been decimated lately as investors worry about two different factors. H&R's single biggest asset is The Bow, Calgary's largest office tower. This exposure to the energy sector is making investors worried. The market is also concerned about H&R's ability to collect rent in today's shuttered economy.

However, we must keep in mind that H&R still has significant earning power. The company released its 2019 earnings just two months ago; it posted \$1.76 per share in funds from operations, a metric

investors use to approximate a REIT's net earnings. Shares trade at under \$10 today, putting the stock at a dirt cheap valuation.

H&R shares also trade at a significant discount to book value, which is just over \$25 per share.

Finally, the company's dividend should be secure, meaning that investors who get in today can lock in a 14.1% yield. No, that's not a typo. Talk about a nice source of passive income!

Automotive Properties REIT

Automotive Properties REIT ([TSX:APR.UN](#)) owns auto dealership properties that are then leased back to dealership operators. This business model has been an excellent growth story, with the company more than doubling the size of its portfolio since its 2015 IPO. These days, it owns 64 properties and more than 2 million square feet of gross leasable area.

Yes, today's economy has hit the auto dealership business hard. Nobody is going to buy a car when their future is so uncertain. But these tenants don't want to abandon what they view as high-quality space.

While Automotive Properties may have to defer some rent for a little while, the company is well positioned to easily survive this crisis.

In fact, Automotive Properties recently told investors it has some \$20 million in cash and an additional \$65 million in untapped credit facilities. It also owns approximately \$100 million worth of properties free and clear, assets it can always borrow against.

All of this is great news for passive income lovers. The company's 10% dividend sure looks like it's secure.

Collect \$1,000/month of passive income

To get \$1,000 per month of passive income from these two REITs, you'd need to invest the following:

- 4,348 shares of H&R REIT for a total investment of \$42,740
- 7,463 shares of Automotive Properties REIT for a total investment of \$59,554

In other words, it would take an investment of a little over \$100,000 to create a passive income stream of \$1,000 per month. That's quite achievable for even the average investor, although it's a journey that'll likely take a few years at least.

Investors should also remember that it's dangerous to put all your eggs in just one or two REITs, even if they're already diversified. You'll sleep a lot better at night knowing your [cash is diversified](#) across all sorts of different asset classes.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

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