Generate a $200 Monthly Income Stream

Description

The Canada Emergency Response Benefit (CERB) helped many struggling Canadians as a result of the COVID-19 pandemic. The program has largely worked out well, apart from the potential for CRA to claw back some of those payments through taxes or from people earning too much. Fortunately, there is another way for income seekers to generate a monthly income stream that isn't reliant on the government — investing in a REIT.

Why this REIT *still* makes sense

Investing in REITs can lead to lucrative returns, but like all investments, that potential comes with some risk. That being said, **RioCan Real Estate Investment Trust** (TSX:REI.UN) is one of the larger REITs in Canada and a worthy option to consider. RioCan is also a prime candidate for those investors looking for a monthly income stream.

RioCan has historically invested in large retail locations, such as anchor tenants in shopping malls. Those anchor tenants constitute some of the largest (and well-funded) companies in the retail and financial sectors. Additionally, RioCan's portfolio is well diversified, with no single tenant provides more than 5% of the company's revenue. As appealing as that sounds, RioCan recently turned to the residential sector as a means to offset that shift in consumer spending habits.

First, let's take a moment to talk about the lack of affordable housing. Real estate prices in Canada's major metro continue to soar. The average price for a home in Toronto is over $1 million, which effectively prices out nearly all first-time homebuyers.

As a result, prospective homebuyers are forced to look well outside the city into the surrounding suburbs, where slightly lower home prices and much longer commutes exist. In other words, there is a major opportunity for a company to offer affordable housing options in major metro areas. Enter RioCan's residential arm, RioCan Living.

RioCan Living boasts a portfolio of mixed-use developments that are located along the in-demand transit lines in Canada's major metro areas. The developments are modern, offer attractive amenities, and provide RioCan with a handsome, growing, and recurring revenue stream. The developments are also situated on top of several floors of retail, providing the best use of space. That recurring revenue stream helps to provide that monthly income stream I mentioned earlier.

How about that monthly income stream?

One of the main reasons why investors flock to RioCan comes down to its dividend. Before the pandemic, RioCan offered an appetizing dividend yield that was north of 5%. As a result of the crash earlier this year, RioCan's dividend now provides a jaw-dropping 9.66% yield. To put that into perspective, an investment of just $6,500 would provide $50 per month. Invest a larger amount, such as $25,000, and you'll earn $200 per month. Make that investment in your TFSA, and you'll earn dividends tax-free as well.

I'm not saying that RioCan's yield will remain at nearly 10%, as the stock is still trading at a discount over where it started in 2020. As the market improves, that yield will drop, but it will remain an attractive option for investors looking for a monthly income stream.

In other words, buy it, hold it, and get rich.

CATEGORY

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