Earn $1,000/Month Passive Income From These 2 REIT Stocks

### Description

Homeownership is more than just part of the American and Canadian dream. It's a powerful asset that you own, which, in the worst-case scenario, can be traded for a substantial amount of cash. And though property price appreciation might not rival a growth stock's price appreciation, it can still be substantial. But the most common way of making money with real estate is starting a rental income.



The two most common problems with real estate investment are the high cost of entry and the fact that it's an active investment, not a passive one like stocks. Still, real estate is something most people understand, and that's probably one of the reasons why people are attracted to REITs, which is the stock market route of becoming a real estate investor. Investors believe that they understand the underlying asset of their REIT investments better than other companies.

But a REIT's main attraction (for most investors) is its powerful yield. REITs often offer higher-than-conventional dividend yields. And a market crash, like the one we saw earlier this year, can magnify these yields even more (until the REIT managers decide to slash it).

Starting a sizeable monthly income from REITs' dividends would require almost the same amount of capital you might need for the down payment of one expensive property. But this way, you will actually be able to earn something instead of diverting the bulk of your rental income towards mortgage payment (and that's when the balance is tipping in your favour).

## An office REIT

**Slate Office REIT** (TSX:SOT.UN) took a head start in slashing dividends. It cut its dividends nearly in half in 2019, and it might be one of the reasons why it hasn't slashed its dividends again during the pandemic. The payout yield is 109%, but the company has been through worse than that. The true danger to the dividends of the company lies with its underlying assets: office buildings.

If another wave of the pandemic and late distribution of a viable vaccine makes office properties a liability for businesses instead of assets, many would renegotiate for a lower rent or would evict. That might damage the company's returns substantially. But since there is a little bit of hope on the horizon thanks to a successful vaccine, let's assume Slate Office can sustain its payouts.

If you can lock in its mouthwatering 10.4% yield and invest about $60,000 into the company, you will get a yearly payout of $6,240, which translates to a monthly dividend income of $520.

## A commercial REIT

The other half of your $1,000 passive income can come from **True North Commercial REIT** ( TSX:TNT.UN). This $523 million market cap REIT hasn't slashed its dividends yet and is very likely to sustain them in the future as well. The company is offering a juicy dividend yield of 10%. The payout ratio is high (193%), but the company continued its dividends in 2014 when the payout ratio was over 300%.

The 10% yield comes out to a neat yearly payout of $6,000 if you invest $60,000 in the company. That gets you a monthly income of $500.

## Foolish takeaway

A combined investment of $120,000 in the two REITs, both offering yields around 10%, can get you a monthly income of $1,020. The chances of it growing are slim, but it's highly probable that the payout won't be slashed anytime soon. This can be a dependable and sizeable passive-income stream and might sustain you through financially challenging months.



**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:RPR.UN (Ravelin Properties REIT)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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adamothman