



## How to Earn Monthly Rental Income With Less Than \$20 to Start

### Description

Industry experts, including **TD Economics**, predict that Canada's housing market will see better days in 2024. For Desjardins, steep [price declines](#) will continue in 2023, although it should eventually restore balance by year-end. Meanwhile, the [real estate sector](#) remains a fertile investment ground for investors, notwithstanding the slump.

You can gain exposure to the sector and earn monthly passive income like real landlords through real estate investment trusts (REITs). Moreover, you don't need considerable seed capital to start investing. If you have an investment appetite, high-yield REITs **Slate Grocery** ([TSX:SGR.UN](#)) and **Morguard North American** ([TSX:MRG.UN](#)) trade at less than \$20 per share.

### Essential tenancies and inflation hedge

Slate Grocery is a pure-play U.S. grocery-anchored real estate whose tenants include the world's largest and leading grocers. At \$15.93 per share, current investors enjoy a 5.43% year-to-date gain on top of the 7.36% dividend. Given the mouth-watering yield, 2,050 shares (\$32,656.50 investment) can generate \$200.29 in monthly passive income.

This \$961.72 million REIT has 121 properties (93.4% grocery-anchored) scattered in 24 states. Top U.S. grocers **Wal-Mart**, **Kroger**, and **Costco** are among its anchor tenants. Because of essential tenancies or a high concentration of essential and grocery tenants (63%), Slate Grocery can endure economic downturns.

Management said consumer spending on groceries and other essential goods wouldn't abate, despite rising inflation, although it expects lower discretionary expenditures. Based on the consolidated income statement after three quarters in 2022, rental revenue rose 26.9% to US\$126.83 million versus the same period in 2021.

Notably, Slate Grocery's net income increased 79% year over year to US\$120.36 million during the same period. The portfolio occupancy at the close of Q3 2022 was 93.1%. Its chief executive officer (CEO) Blair Welch said, "We have strong conviction in our grocery portfolio and the healthiness of the

grocery asset class, despite macro headwinds.”

The resilient grocery-anchored portfolio and strong credit tenants are competitive advantages and reliable sources of durable cash flows. However, another significant characteristic that investors can’t ignore is that the portfolio also acts as an inflation hedge. In short, Slate Grocery has built-in protection against rising costs and interest rates.

## Robust rental demand

Morguard North American should benefit from robust rental demand if mortgage costs remain high. The \$1.01 billion REIT owns and operates residential apartment communities in Canada (16) and the U.S. (26). Kendall Brown, a market analyst at Zonda Urban, noted a lot more interest in the rental market and expects the trend to continue in 2023.

The **TSX Composite Index** is off to a good start in 2023, but Morguard NA outperforms the broader market year to date at +11.11% versus +5.03%. If you invest today, the share price is \$18, while the dividend yield is 4% as of writing. The net income of \$418.86 million after three quarters in 2022 represents a 211.8% growth from a year ago.

Management is very clear on its growth strategies for Morguard NA. The internal growth strategy focuses on maximizing cash flows from its portfolio, and cash flows should increase by maximizing occupancy and average monthly rent. Externally, the REIT intends to pursue acquisition opportunities that satisfy its investment criteria.

## Real income

Investors become mock landlords when investing in REITs, but the rental-like monthly income from the investment is real.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)
2. TSX:SGR.UN (Slate Retail REIT)

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