



## In Search of Yield: 2 REITs for Income-Seeking Investors

### Description

We are all aware of the fact that the population is aging, as the baby boomers are now between 50 and 68 years old. Two ramifications of this are: 1) they need income-producing investments, and 2) industries that cater to this group, such as the health care and the long term care industry, will outperform.

### Serving the baby boomer

Two REITs that have attractive yields *and* are expected to benefit from this major theme are **Chartwell Seniors Housing Real Estate Investment Trust** ([TSX: CSH.UN](#)), which owns a large portfolio of retirement homes in Canada and the U.S., and **Northwest Healthcare Properties REIT** ([TSX: NWH.UN](#)), Canada's largest non-government owner and manager of medical office buildings and healthcare real estate.

Chartwell Seniors Housing REIT has a dividend yield of 5.3%, which is fully covered by funds from operations. Recently the company has struggled somewhat with weaker occupancy rates, but in the coming years, demand is expected to increase more than the new supply of retirement homes. Currently, occupancy levels are at 90% with the potential to increase a few percentage points as demand increases. The leverage to increases in occupancy rates is very significant.

NorthWest Healthcare Properties REIT is currently trading at a dividend yield of 8.3%, which is also covered by funds from operations (the payout ratio is just over 92%). Growth at this REIT is more moderate than at Chartwell, but nevertheless it is a stable performer that is striving to grow its portfolio of medical real estate buildings. The dividend yield is super attractive and makes up for the lower growth profile.

### What happens if and when interest rates rise?

The inverse relationship between REITs and interest rates is well known. A rise in interest rates will lead to capital depreciation. But these two names have a big positive going for them. They are both riding the secular trend of an aging population, and that should give comfort to investors. Furthermore, since investors are buying these REITS for their income generation, they will still be collecting

attractive dividend payments regardless of where the stock heads.

### **Foolish bottom line**

The aging population is a strong force at work in the marketplace right now and it will be for years to come. The two REITS discussed here are a great way to play this theme and to give investors' portfolios a much needed income boost.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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