2 Gems With Dividend Yields up to 8.5%

Description

NorthWest Health Prop Real Est Inv Trust (TSX:NWH.UN)

Northwest Healthcare Properties REIT currently has a dividend yield of 8.5%, supported by the company's high-quality, global, diversified portfolio of healthcare real estate properties located throughout Canada, Brazil, Germany, Australia, and New Zealand.

The company's March 2015 acquisition effectively doubled its size and gave it access to growth opportunities internationally, but it also increased its risk profile. This being said, healthcare properties generally have stable occupancies and long-term leases that make the underlying REIT attractive for long-term investors.

Turning now to liquidity, the company's payout ratio is well below 100%, and its balance sheet has been strengthened after much work aimed at divesting of non-core assets. It sold 12 of 17 of the identified Canadian non-core assets for $50 million in net proceeds. The remaining five are under contract and will be completed before the end of the second quarter of 2016 with expected proceeds of $25 million.

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Heading into the future, occupancy levels are strong at 96% with a 10-year average lease term in Canada and 99% in the company's international portfolio. There's lots of room to grow in this industry, which is seeing strong secular growth trends (i.e., aging population).

Labrador Iron Ore Royalty Corporation (TSX:LIF.UN)

Labrador Iron Ore Royalty Corporation currently has a dividend yield of 7.3%, which has come down recently due to strength in the stock, which has increased 42.6% year to date due to strengthening iron ore prices and continued progress the company has made in reducing unit cash costs. In fact, the cost per tonne of concentrate produced declined by 20% in 2015, and the company is on track to achieve its goal of reducing its unit cash cost of concentrate to US$30 per tonne.

In order to assess or determine the safety of the dividend, let's do a quick check of the company's financial statements. The annual dividend of $1.00 per share reflects a payout ratio of 117%, but this shortfall was easily covered by the company's cash on hand on the balance sheet. Furthermore, the company is debt free, and with no capital expenditure requirements, it simply collects royalties.

Going forward, with iron ore prices strengthening, falling costs, and production capacity going up, my view is that the company will continue to support its dividend commitment, and that over the next few years, we should expect the dividend payment to increase as macro and company-specific factors become more and more favourable.

Bottom line

In summary, these two companies are solid long-term investments that offer very attractive dividend yields that are supported by strengthening fundamentals in their respective businesses.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:LIF (Labrador Iron Ore Royalty Corporation)
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