



A Top Income Booster Relating to Health Care

Description

Real estate is a great way to earn monthly income, and it doesn't have to be a lot of work. In fact, you can become a passive landlord by investing in real estate investment trusts (REITs).

REITs typically own diversified portfolios of real estate assets that generate monthly income. Because the companies already have management teams taking care of tenants and properties, you can essentially buy and hold REIT units and sit back to collect monthly distribution cheques.

Other than residential properties, healthcare properties, such as hospitals, are also solid income generators. Yet most folks don't have millions of dollars to invest in hospitals.

That's where **NorthWest Health Prop Real Est Inv Trust** ([TSX:NWH.UN](#)) comes in.

Recent developments in Brazil

NorthWest recently expanded its footprint in its existing markets of São Paulo and Brasilia in Brazil by acquiring Hospital Ifor for \$25.7 million and Hospital Santa Helena for \$117 million.

These acquisitions help strengthen NorthWest's relationship with Rede D'Or, which is Brazil's top hospital operator and the REIT's largest tenant. Both Hospital Ifor and Hospital Santa Helena will be operated by Rede D'Or.

These hospitals signed long-term leases of 25 years that are indexed to inflation. To the REIT's advantage, these hospitals will pay the real estate taxes of the leased assets, the building insurance, and any common area maintenance over that period.

NorthWest's portfolio

In total, NorthWest now has seven Brazilian assets across 1,226 beds with 100% occupancy, a weighted average lease expiry of 22 years, and a weighted average cap rate of 9.3%.

Its general hospital assets hold 54% of the beds, while the rest are in specialty hospitals, including a

children's hospital, a maternity hospital, an orthopedic hospital, and a cardiovascular hospital.

NorthWest's portfolio is now diversified across 139 income-producing healthcare properties and earns about 45% of its net operating income (NOI) from Canada, 26% from Brazil, 23% from Australasia, and 6% from Germany.

By asset type, NorthWest earns 55% of its NOI from medical office buildings and 45% from hospitals.

The overall portfolio occupancy is expected to be about 96.5% with a weighted average lease expiry of about 11 years.

Top tenants

The REIT's top 10 tenants contribute 35.7% of its gross rents. The recent acquisitions increased Rede D'Or's contribution from 13.9% to 18.9%. The company's top seventh tenant is Shoppers Drug Mart, which contributes 1.4%.

Conclusion

NorthWest owns an internationally diversified healthcare portfolio of hospitals and medical office buildings across 139 properties. Its strong exposure to the Brazilian markets is a plus due to the country's working population growth and growing middle class.

Relative to the REIT's normalized adjusted funds from operations, its second-quarter payout ratio was 87%. Coupled with its high occupancy of about 96.5%, its yield of 7.5% is safe for current income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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