



Don't Miss This High-Income Opportunity

Description

One of the first things you'll notice about **NorthWest Health Prop Real Est Inv Trust** ([TSX:NWH.UN](https://www.tsx.com/quote/NWH.UN)) is its 8.3% yield. Now that the units of the international healthcare real estate investment trust (REIT) have dipped about 10% from its recent high, it's a good time to consider it for income.

Let's explore this high-income idea.

The business

Northwest Healthcare Properties owns a portfolio of medical office buildings and hospitals across 136 properties in Canada, Brazil, Australia, New Zealand, and Germany.

The REIT has total assets of \$3.7 billion across 9.2 million square feet. Its portfolio has an occupancy of 96.2% with a weighted average lease expiry of a little over 11 years and an IFRS cap rate of 7.1%. These metrics indicate the quality of its portfolio.

Portfolio diversification

Geographically, Northwest Healthcare Properties earns 44% of its net operating income (NOI) from Canada, 29% from Brazil, 20% from Australasia, and 7% from Germany. By asset type, it earns 46% of its NOI from hospitals and 54% from medical office buildings and others.

Specifically, the REIT has 57 Canadian medical office buildings that are leased to 1,100 tenants, six Brazilian hospitals with about 900 beds, interests in 17 Australian properties via **Generation Healthcare REIT**, interests in 35 properties in New Zealand via **Vital Property Trust**, and 20 German medical office buildings that are leased to 420 tenants.

Northwest Healthcare Properties's top tenant is Rede D'Or SL, which is Brazil's top hospital operator, and it has a strong S&P credit rating of AA+ and contributes 21.5% of the REIT's gross rent.

hospital
no hospital found or type unknown

Is its 8.3% yield sustainable?

Northwest Healthcare Properties's adjusted funds from operations payout ratio has reduced from 100% a year ago to 87%. Its portfolio's occupancy increased from 94% to 96%, and its weighted average lease terms extended from nine years to 11 years. So, the REIT's yield is safer than it was before.

Growth

Northwest Healthcare Properties has growth opportunities across its entire portfolio. Particularly, it has an active development in Canada, 10 contracted developments in Australasia, and two development sites in Germany.

Additionally, it has rental increases that are indexed to annual inflation for some of its tenants in Brazil, Germany, and Australasia.

These will help stabilize and boost the REIT's cash flows.

Is Northwest Healthcare Properties a good buy today?

Northwest Healthcare Properties's distribution is safer than it was a year ago. Moreover, management intends to further lower its payout ratio to about 80%. So, income investors can get a safe 8.3% yield from the international healthcare REIT.

However, the units aren't quite priced at a bargain yet. The REIT's net asset value (NAV) per unit is expected to be \$11 this year. So, at \$9.64 per unit, the company is priced at a discount of about 12% and is moderately undervalued. If the units fall to \$8.80 or lower, the company will be priced at a decent bargain of at least 20% from its NAV.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/16

Date Created

2016/12/05

Author

kayng

default watermark