



Need Income Today? Start With These 2 REITs

Description

Investing in real estate is popular because it's easy to understand. As well, doing so helps maintain your purchasing power over time.

You buy properties, rent them out to earn monthly income, and, over the long term, real estate prices tend to rise. So, you can sell properties for gains in the future.

It's even simpler when you invest in real estate through real estate investment trusts (REITs), which hold a portfolio of properties. They have professional teams that manage the portfolio and look for buying and selling opportunities so you don't have to.

Here are some high-yielding REITs to put on your watch list.

NorthWest Health Prop Real Est Inv Trust ([TSX:NWH.UN](#)) owns a portfolio of 137 healthcare properties. Specifically, it 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.

Here's an example of the kind of opportunities Northwest Healthcare Properties has access to. Early this month, the REIT agreed to acquire a medical office building in Hamburg, Germany's second-largest city. This investment starts with a cap rate of 6.2%. The tenants of this building have entered inflation-indexed leases with a weighted average lease expiry of more than seven years.

Since there's a growing aging population around the globe, Northwest Healthcare Properties has been able to maintain a high occupancy of 96% with a weighted average lease expiry of 11 years. These allow the REIT to maintain a stable distribution that yields 8% today with a sustainable payout ratio of 87%.

hotel room

American Hotel Income Properties REIT LP ([TSX:HOT.UN](#)) is a Canadian limited partnership that invests in hotel properties in the United States. It primarily serves the rail crew accommodation,

transportation-oriented, and select-service lodging sectors.

Although its hotels are mostly located in secondary and tertiary markets, they have high demand because they're in convenient locations close to railroads, airports, and highway interchanges.

Just last week, the REIT revealed that it has agreed to acquire three Embassy Suites by Hilton branded hotels totaling 782 guestrooms located in Ohio. The portfolio has a weighted-average cap rate of about 8% based on the trailing-12-month NOI.

American Hotel offers a U.S. dollar–denominated monthly distribution, totaling an annual payout of US\$0.648 per unit. This equates to a yield of 8.5%, thanks partially to a strong greenback against the loonie. Its payout ratio in the third quarter was 63% (based on its diluted adjusted funds from operations per unit), which indicates a sustainable distribution with a margin of safety.

To avoid withholding taxes on U.S.-sourced dividends, interested investors should consider holding the units in an RRSP. Consult a qualified financial advisor or tax professional if needed.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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