



## Why Northwest Healthcare Properties REIT Belongs in Any Income Portfolio

### Description

How much would you give to have exposure to a lucrative secular trend and a dividend that gives you a 7.5% yield? That's \$750 in dividend income for every \$10,000 invested.

Well, this is what we have with **Northwest Healthcare Properties REIT** ([TSX:NWH.UN](https://www.nwhreit.com)). The company's high-quality, global, diversified portfolio of healthcare real estate properties, located throughout Canada, Brazil, Germany, Australia, and New Zealand, offers investors exposure to the growing market that addresses the aging population.

Healthcare properties generally have stable occupancies and long-term leases which make the underlying REIT defensive and attractive to long-term investors.

And with continually improving results and prospects, this REIT is headed in the right direction. In the latest quarter, the REIT reported declining leverage ratios — down to 49.9% debt-to-book value (versus 51.5% in the same quarter last year).

Its total-debt-to-market-capitalization ratio currently stands at more than 60%. The REIT also reported a 20% increase in funds from operations and improved occupancy rates of 95.7%.

At 98% occupancy, the international portfolio has better occupancy rates than the Canadian portfolio, and with a weighted-average lease expiry of 15.7 years versus 11.2 years company-wide, it has been a stable and positive contributor to the company.

Despite the defensive qualities of the REIT, it has a dividend yield that is higher than many of its REIT counterparts. This is primarily due to two factors: the company's global expansion, which presents a higher risk/reward opportunity, and the company's relatively high leverage.

We have covered how, while still high, leverage ratios are declining, and how the international portfolio has been a very positive contributor to the REIT, signifying that management has handled this expansion well. The payout ratio currently stands at 82% compared to 92% last quarter.

In order to illustrate the progress, I would like to step back and compare these numbers with where the

REIT was just a year and a half ago. In the fourth quarter of 2015, the company had a 96% occupancy with a 10-year average lease term, a leverage ratio of well above 50%, and a 92% payout ratio.

The international portfolio, which is outperforming Canada on different measures, has good growth ahead of it. Northwest has identified Brazil, Germany, and Australasia as good opportunities. And with this international expansion, the REIT has given itself many more opportunities and choices for capital allocation. This should drive future cash flows and returns for the REIT.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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## Author

karenjennifer

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