Boost Your Income With This High-Yielding Dividend Stock

Description

Getting some extra cash every month is great. You can use it to pay the bills, treat yourself to something nice, or even reinvest it. What's more to like is that you can get tax-deferred income from this stock.

NorthWest Health Prop Real Est Inv Trust (TSX:NWH.UN) stock dipped ~3% on Wednesday. Don't worry though. That's as big a dip it'd normally experience. If you're holding stocks for high income, you should be able to withstand that kind of volatility.

The dip was due to the healthcare real estate investment trust (REIT) having an equity offering of $125 million at $10.95 per unit. The stock traded at ~11.40 per unit before the news. Naturally, after the announcement, the stock pulled back. It is good to see that the stock actually closed above the offering price at the market close.

Why Northwest Healthcare Property had an equity offering

The REIT is using the raised funds to primarily repay the secured operating facility, which was used to partially fund the $392 million acquisition of Generation Healthcare REIT, which was completed in July.

I think this is a decent use of an equity offering because the company got a better stock price than if it had the offering in July. Essentially, the company is growing its portfolio.

Generation Healthcare has 16 properties including hospitals, medical centres, laboratories, aged-care facilities, on top of development projects for future growth. It's focused on major markets, which are centred around Australia's three largest cities: Sydney, Melbourne, and Brisbane.

Furthermore, the portfolio is characterized by a high occupancy of 98.6%, a long weighted average lease term of ~12 years, and leases that have inflation escalations.

Northwest Healthcare Property is still good for income

Northwest Healthcare Property is still a suitable investment if you're focused on income. It offers a safe yield of 7.2% which is supported by its global portfolio of healthcare properties, comprised primarily of medical office buildings and hospitals, and a payout ratio of 83%.

The REIT generates about 37% of its net operating income from Canada, 30% from Australasia, 27% from Brazil, and 6% from Germany. Its portfolio has about 144 properties with a stable occupancy of 95.7% with a weighted average lease expiry of 11.4.

Tax-deferred income

The return-of-capital portion of Northwest Healthcare Property is tax deferred. In the last few years, 100% of the REIT's distribution was return of capital. So, even if you hold the units in a non-registered account, you still won't have to pay any taxes on the distributions.

Notably, unitholders need to subtract the return-of-capital amount from their adjusted cost basis. When the adjusted cost basis turns negative, you'll need to start paying taxes like capital gains.

Investor takeaway

Consider Northwest Healthcare Property for income, and especially so on any further dips.

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