



Here Is a Chance to Buy This 7.5% Yielder

Description

If you're looking for income, you'll want to take a closer look at **NorthWest Health Prop Real Est Inv Trust** ([TSX:NWH.UN](https://www.tsx.com/quote/NWH.UN)). The healthcare [real estate investment trust](#) (REIT) has pulled back more than 5% year to date and now offers a yield of nearly 7.5%, which is roughly triple that of what's offered by a guaranteed investment certificate (GIC).

Of course, NorthWest Healthcare Properties is not a GIC. So, nothing from it is guaranteed — neither the principal nor the yield. However, there's reason to believe that its high yield is safe and that it is a reasonable value at current levels.



Here's what the company is about.

The business

NorthWest Healthcare Properties owns a diversified portfolio of medical office buildings and hospitals in major markets in Canada, Brazil, Germany, Australia, and New Zealand. The REIT has 147 properties spanning 10.1 million square feet with total assets of \$4.6 billion.

The company generates about 46% of its net operating income from hospitals and 54% from medical office buildings and other assets. Geographically, its net operating income diversification is as follows: 35% from Canada, 34% from Australasia, 24% from Brazil, and 6% from Germany.

Its global assets have higher occupancies and are estimated to experience higher growth than its properties in Canada. For example, its hospitals in Brazil are 100% occupied and have a weighted average lease expiry of 20 years. These are triple-net, inflation-indexed leases, which provide consistent organic growth. The net operating income growth from the Brazilian portfolio is expected to be 6.3% compared with 0.5% in Canada.

NorthWest Healthcare Properties has seven hospitals in Brazil, including in markets of Sao Paulo, Brasilia, and Rio de Janeiro. It has a strong relationship with the country's leading hospital operator Rede D'Or, which is an important part of its success there.

NorthWest Healthcare Properties offers a safe high yield

NorthWest Healthcare Properties maintains a high occupancy of 95.4% with a weighted average lease expiry of about 11 years. As noted earlier, some of its leases are indexed to inflation, which boosts organic growth. It also has development opportunities in Australasia and Germany.

In addition to its stable cash flow, the REIT also maintains a normalized payout ratio of about 83%. Altogether, the company's yield of 7.5% should be sustainable.

Investor takeaway

NorthWest Healthcare Properties's global portfolio gives it more growth opportunities. Its net asset value per unit has steadily improved over time and is currently at about \$12.50. So, the stock trades at a slight discount of roughly 14% at \$10.70 per unit.

If you like [income](#) and stability, NorthWest Healthcare Properties should be on your watch list. If the stock falls to \$10 per unit or lower, it'll be even more attractive.

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