4 Reasons to Buy This High-Yielding 7% Dividend Stock

Description

Often, when we encounter a stock that has a high 7% dividend yield, further examination leads to the conclusion that it is a very risky proposition.

I present to you **Northwest Healthcare Properties REIT** (TSX:NWH.UN), which has a 7% dividend yield, and one I would argue has a very favourable outlook.

Here are the four reasons I would consider buying this dividend stock.

Demographics

Society is facing a rapidly aging population, and as the baby boomers are now between the ages of 54 and 72 years old, we continue to see big demand in products and services for this stage of life.

According to census numbers, the percentage of Canadians above the age of 65 is fast approaching 20%. This number has been steadily rising and just five years ago was closer to 15%.

And this is a global phenomenon. It is estimated that by 2021, approximately 11.5% of the global population will be over 65 years old.

Dividend yield

The stock has a dividend yield of 7%, with a payout ratio of just under 90%.

Northwest currently enjoys an occupancy rate of over 96%, and an average of 13 year leases, with more than 70% of net operating income being indexed to inflation.

Simple math to arrive at a simple conclusion — that the dividend yield is very attractive and that it is sustainable.

High-quality portfolio

Northwest offers a high quality global, diversified portfolio of healthcare real estate properties located throughout Canada, Brazil, Germany, Australia, and New Zealand. It offers investors exposure to this growing market that addresses the aging population not only in Canada, but also in selected countries worldwide.

Healthcare properties generally have stable occupancies and long-term leases, which make the underlying REIT a defensive one that is attractive for long-term investors.

Growth opportunities

While management is intent on bringing debt levels down, there is ample room to grow.

Brazil is a high growth market, Germany is a very fragmented market where the company is attempting to establish first mover advantage early on, and there are still many consolidation opportunities in Australia and New Zealand.

Chartwell Retirement Residences (TSX:CSH.UN)

For those investors who would like another option in the healthcare properties space, consider Chartwell.

Chartwell is another good option that gives investors a 3.83% dividend yield and exposure to a growing portfolio of retirement homes.

In summary, these two dividend stocks give investors exposure to a defensive industry that is poised for long-term growth, as well as attractive dividend yields along the way.

CATEGORY

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

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