Income Investors: 2 REITs to Secure Your Retirement

Description

REITs tend to do well during times of low interest rates thanks to their high payouts. And with interest rates expected to remain low for the foreseeable future, here are two REITs on my shopping list that not only feature great dividends but also strong growth prospects.

The first on my list is **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), a specialist healthcare real estate investor, with high-quality medical office and hospital properties in Canada, Germany, The Netherlands, Australia, Brazil, and New Zealand. With $5.1 billion in assets across 158 properties, NorthWest is geographically diversified and insulated against economic downturns.

As far as operating metrics are concerned, NorthWest boasts a 96.8% occupancy rate (with most rents which are inflation indexed), along with a 13-year weighted average lease term for tenants, ensuring a stable source of cash flows to fund its 80% funds from operations payout ratio. In regard to future growth opportunities, NorthWest has $370 million worth of value-enhancing projects in the pipeline, diversified across Australia, Brazil, and Canada.

The second REIT name that I like is **H&R REIT** (TSX:HR.UN), which, at a market cap of $6.5 billion and $14.5 billion of assets under its belt, is one of the largest REITs in Canada. Unlike NorthWest, HR's operations are concentrated in Canada and the United States, across office, retail, industrial, and residential properties. The bulk of the REIT's Canadian operations are in the office segment, which is worth $6.6 billion, followed by the retail and industrial segments, which are worth $4.2 billion and $1 billion, respectively. So far, the office segment has been the key driver of cash flows, boasting occupancies of 98.6%, thanks to high corporate tenancy demand in the Toronto, Houston, and New York regions.

HR's retail segment has been a bit of a sore spot with an average occupancy of 89%. However,looking forward, HR is ramping up its residential business through key partnerships or acting as theprincipal in several major U.S. developments in prime metropolitan areas such as Miami, Austin,Seattle, Dallas, and Long Beach. As these projections are located within counties experiencing highnet migration trends, we should see the residential segment pick up the slack from retail towards thesecond quarter of 2020.

The bottom line

Interest rates are not going up anytime soon, and these two REITs offer +6% yields in addition to stability and growth. I recommend splitting your REIT allocation between NorthWest and HR in your TFSAs or RRSPs to benefit from an internationally diverse footprint in the healthcare field as well as office, residential, and retail growth in Canada and the U.S.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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