



2 Growth Stocks to Play the Growing Change in Canadian Demographics

Description

The aging population in Canada is leading to new trends in the healthcare industry. More people will need old-age care, as a record number of people enter their senior years.

The aging population has been primarily driven by the baby boomers aging, as well as increased healthcare technology, extending the life expectancy in Canada.

This trend isn't new, but the nature of it allows it to manifest slowly, giving investors time to see how the market is reacting and which companies are performing the best, to position their portfolios optimally.

In Canada, by 2036 the population of people over 65 is estimated to rise 25%, and the number of seniors over 80 is expected to double.

Two stocks investors should own to take advantage of the shift in old-age healthcare are **Extendicare** ([TSX:EXE](#)) and **NorthWest Healthcare Properties** ([TSX:NWH.UN](#)).

Extendicare

Extendicare is a long-term-care facilities company. It has 58 long-term-care centres, 10 retirement communities, a large home healthcare services business, and a management and consulting services business that has 54 locations under management.

95% of Extendicare's revenue comes from long-term care and home health care. 39% of the revenue comes from ParaMed, Extendicare's home healthcare company. Extendicare, through ParaMed, is the largest private sector home healthcare provider in Ontario.

Extendicare has also been working on developing new projects, especially in retirement living, as it's a higher-margin business. In 2018, retirement living accounted for just 3% of sales, but 6.7% of Extendicare's net operating income (NOI).

The projects include a retirement home that opened late last year and is already 88% occupied. It has another retirement project that opened in the first quarter, one that is slated to open in the fourth quarter, and one that is expected to break ground soon. These four projects should provide the company solid growth over the next couple of years.

Extendicare pays a dividend that currently yields 5.5%, is one of the best companies in the sector, and is a great way to [diversify](#) your portfolio.

NorthWest

NorthWest Healthcare Properties is a healthcare real estate company that owns assets in countries such as Canada, New Zealand, The Netherlands, Germany, Australia, and Brazil.

It has 169 properties that total 13.8 million square feet. It has a 97.2% occupancy across its portfolio and a company-wide cap rate of 6.1%.

NorthWest has been working to increase the strength of its portfolio the last few years, increasing the weighted average lease expiry up to 14 years.

It has also been working to increase its occupancy rate. Last quarter, the occupancy rate increased 60 basis points to its current rate of 97.2%. In the last 12 months, the occupancy rate has grown a whopping 180 basis points.

In the second quarter, nearly 60% of NOI came from its Australasian operations. The Australasian portfolio has 56 properties in Australia, 11 properties in New Zealand, and four developments in the pipeline. It has a weighted average lease expiry of over 17 years and an occupancy rate of 99.2%.

The total company-wide 14-year weighted average lease expiry means NorthWest's business is highly stable. In addition, more than 70% of NOI is indexed to inflation, which drives consistent organic growth.

Adjusted funds from operations (AFFO) per unit grew again in the second quarter, up 3.3% from the same quarter last year, and 2.2% from the first quarter this year. The increase in AFFO per unit brought the payout ratio down to 87%.

The dividend yields almost 7%, a nice bonus for long-term investors as they hold NorthWest for the future.

Bottom line

Both are well-run companies with defined paths for growth. An investment will yield solid results, as both have plenty of opportunities in the pipeline and distribute a fair amount of capital each year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EXE (Extendicare Inc.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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