1 Top Recession-Proof REIT Yielding Almost 7% to Buy and Hold Forever

Description

Real estate investment trusts (REITs) are garnering considerable interest because of their attractive yields and low volatility compared to other types of stocks. This has seen them become a preferred investment among income-hungry investors such as retirees, because traditional income-producing assets like bonds are producing negligible yields.

What many investors fail to realize is that REITs can be solid income-producing defensive stocks that allow them to weather-proof their portfolios against economic downturns.

One REIT poised to continue delivering value, despite a looming global recession is **Northwest Healthcare Properties REIT** (TSX:NWH.UN). It has gained 12% since the start of 2019 and is an ideal position to unlock further value for investors.

Growing earnings

Northwest Healthcare recently completed the transformational $1.2 billion acquisition of Australian healthcare provider **Healthscope**. This added 11 properties to the REIT's portfolio, which include 1,539 beds and 57 operating theatres. The deal is expected to be accretive and generate $0.11 of adjusted funds from operations (AFFO) in the first year.

What makes Northwest Healthcare a compelling, almost recession-resistant investment is that demand for healthcare is relatively inelastic, meaning that demand for its properties will remain strong regardless of the state of the economy. The healthcare sector has particularly steep barriers to entry because of the significant capital required to acquire the appropriate properties and considerable regulation.

That further strengthens Northwest Healthcare's already wide economic moat, protecting it from competition. An aging population in developed nations, including Canada, Australia, Germany and the Netherlands will drive ever greater demand for healthcare and Northwest Healthcare's properties.

When these factors are considered in conjunction with the contracted nature of North Healthcare's revenues, its earnings are almost guaranteed and will continue to grow at a steady clip, even if a global recession emerges. That will give its stock a solid boost over the long term.

The diversified nature of Northwest Healthcare's property portfolio further enhances its resistance to economic slumps by minimizing the impact of a downturn in a single jurisdiction on its earnings.

The strength of Northwest Healthcare's operations becomes apparent when reviewing its second-quarter 2019 results. The REIT ended the period with an impressive occupancy rate of 97.2%, which was 0.5% higher than a year earlier, reported a 24% year-over-year increase in adjusted funds from operations and that net income more than doubled to almost $84 million.

Northwest Healthcare has a $414 million pipeline of 10 projects under development, which are expected to be completed between the end of 2019 and the second quarter of 2023. On commencing operations, those properties will lift earnings and are anticipated to add up to $0.14 per unit to the REIT's net asset value.

The REIT also possesses a solid balance sheet, finishing the latest reported quarter with debt to gross book value of 53.7%, which was 2% lower than a year earlier.

These attributes will also support the sustainability of Northwest Healthcare's distribution, which is yielding a juicy 6.70%.

Foolish takeaway

The growing threat of a global recession makes now the time to weatherproof your portfolio. There is no better defensive stock than Northwest Healthcare. The almost unchanging demand for healthcare coupled with the REIT's wide economic moat, which protects its earnings, juicy 6.7% yield, and solid growth potential makes it an ideal stock to own, even when the economy heads south.

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mattdsmith