



2 Top REITs Yielding 5% Plus to Buy Today and Hedge Against a Recession

Description

Fears of a recession may have subsided but there are signs of additional economic ructions ahead. A combination of weak manufacturing data among the world's major industrial economies, rising geopolitical risk and a simmering U.S. China trade war all point to the risk of an [economic downturn](#).

That could be far worse than anticipated because central banks across many major developed economies have exhausted the suite of policy tools available to manage slumps, meaning that they may be unable to head-off the next recession.

This makes now the ideal time for investors to weather-proof their portfolio by bolstering their exposure to hard assets such as real estate, which are proven to be recession resistant.

The best way to gain exposure to real estate is buy investing in real estate investment trusts (REITS) with high-quality property portfolios and solid balance sheets.

Let's take a closer look at two REITs every investor should consider.

Leading owner of medical properties

The acquisition of leading Australian healthcare property provider Healthscope for \$1.2 million by **Northwest Healthcare Properties** ([TSX:NWH.UN](#)) will give the REIT's earnings and funds from operations a healthy boost.

It added 11 healthcare properties with 1,539 beds and 57 operating theatres to its already globally diversified real estate portfolio and is thought to be immediately accretive.

Northwest's wide economic moat, the inelastic demand for healthcare and its diversified property portfolio with operations in Canada, Brazil, Australia and Europe not only protects its from an economic slump, but also virtually guarantees that earnings will grow.

The REIT finished the second quarter 2019 with an impressive occupancy rate of 97.2% with a

weighted average lease expiry of 14 years, thereby underscoring the quality of its properties and strong demand for its healthcare real estate. Northwest also has a solid balance sheet, as is evidenced by its debt to gross book value of just under 54%.

For these reasons, Northwest's earnings will continue grow, which should give its stock a healthy lift. It is also highly resistant to economic slumps, making it an ideal hedge against global economic and political uncertainty. Patient investors will be rewarded by its sustainable distribution yielding a very juicy 7%.

Quality industrial REIT

Dream Industrial REIT ([TSX:DIR.UN](#)) has been one of the strongest performing Canadian REITs since the start of 2019 appreciating by an impressive 43% since the start of 2019. Despite that notable return, there is further upside ahead.

A powerful tailwind that will drive Dream Industrial's earnings higher is the expansion of ecommerce and rapid uptake of online retailing. While this has triggered [an apocalypse](#) for traditional bricks and mortars retailers as well as retail REITs, it will serve as a powerful tailwind for industrial REITs.

This is because logistics centres form a crucial part of the operations of online retailer and because light industrial properties have long been an unpopular property class with investors there has been a lack of investment in the industry.

That will drive property values and rents higher as the ecommerce boom causes demand for industrial properties to outstrip supply, thereby giving Dream Industrial's earnings a solid boost, particularly with 58% of its portfolio composed of warehouses.

The increased optimism surrounding the economic outlook, which was triggered by the Fed's latest rate cut and the increased likelihood of a trade deal between the U.S. and China will act as an additional tailwind for the REIT.

Dream Industrial reported some solid third-quarter 2019 numbers, including an occupancy rate of 96.2% with an average weighted lease term of 4.1 years.

Net rental income grew by 25% year over year, while funds from operations (FFO) shot up by 17% and Dream Industrial's net asset value per unit gained a healthy 5%.

While waiting for the REIT's stock to appreciate, unitholders will be rewarded by its sustainable monthly distribution, which has a tasty 5% annual yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/20

Date Created

2019/11/13

Author

matttdsmith

default watermark

default watermark