This Real Estate Stock May Be the Best Company I've Bought All Year

Description

If you're wondering what to invest in ahead of a possible bear market lurking around the corner, two of the top industries to consider are real estate and health care.

Both industries are generally defensive, with most real estate industries being safe investments and health care being a top priority globally. In fact, more than 10% of global GDP is spent on health care.

As these industries are highly defensive, they are attractive for investments in today's day in age; when you can find passive-income generators, the dividend offers another level of security for your capital.

You can even consider buying a real estate company that deals only in health care facilities, which would give you the best of both worlds.

In Canada has a number of high-quality real estate investment trusts (REITs), but only one high-quality health care REIT and that's **NorthWest Healthcare Properties REIT** (TSX:NWH.UN).

NorthWest owns a portfolio of properties in Canada, Europe, Brazil, Australia and New Zealand.

Its properties are focused more on the cure segment of health care, including hospitals and medical office buildings rather than the care segment such as retirement residences.

New Zealand and Australia make up the largest portion of the portfolio, with 41.5% of its total properties and $3.5 billion in gross assets of NorthWest's $6.2 billion in assets.

Canada is the next largest country in its portfolio with $1.2 billion in gross assets, then Brazil at roughly $800 million and approximately $700 million in Europe.

It has built up an incredibly strong and diversified global portfolio with more than 97% occupancy rate across the total portfolio and more than 98% in its international portfolio.

It also has an average 13.7 year-weighted average lease expiry, which is quite lengthy, giving NorthWest a tonne of cash flow stability.

The stability is key and allows it to payout the majority of its cash flow without much concern about the reliability of its income. Its dividend yields roughly 6.5% and has an adjusted funds from operations (AFFO) payout ratio of just 87%.

Although it has a strong and attractive dividend, that hasn't affected its many growth opportunities. The first way it gains growth is by the 72% of its leases that are indexed for growth, plus it has more than $400 million in its development pipeline.

It has 10 properties under development that have an average pre-leased occupancy of 92% and an average of 6.4% expected project yield with all projects scheduled to be completed by the end of 2021.

One of the reasons why it's such a great investment is down to its high-quality management, led by the CEO Paul Dalla Lana who founded the company and continues to run it today.

It has a history of strong returns, which include a five-year average return on equity above 9%.

The stock is also very cheap, especially given its price-to-book ratio that currently stands at just 1.35 times earnings.

The stock is up more than 30% year to date and isn't about to slow down, especially as investors worldwide are looking for higher-quality stocks operating in defensive industries and can insulate their cash flows.

If you're seeking an income stock that provides an attractive yield but is still defensive and can maintain its dividend, NorthWest Healthcare Properties is the stock for you.

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

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