2 Defensive Healthcare Stocks With Surprisingly High Yields

Description

The healthcare sector is not the usual hunting ground of dividend investors. But in 2020, two companies should be coming out of obscurity because of surprisingly high dividends.

The services that **Sienna Senior Living** (TSX:SIA) and **Chartwell Residences** (TSX:CSH.UN) provide are vital to elderly Canadians and the country's economy. You can buy the stocks to have a defensive portfolio.

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Care for the aging population

Sienna Senior Living is a $1.5 billion company with two major operating segments: Retirement for Senior Housing and Long-Term Care (LTC) services. Primarily, the company cares for the elderly population.

It offers a wide range of seniors' living options, such as independent and assisted living, memory care, long-term care, and specialized programs and services. It also provides management services.

Ancillary services include nursing and personal support services for both community-based home healthcare and long-term care homes. SIA owns and operates 27 retirement residences, 35 LTC residences, and eight seniors' living residences.

But in 2020, the company should be in the limelight. There's a bed shortage of 35,000 in Ontario, and the government is solving the problem by allowing more nursing homes to open.

With the demand for nursing and retirement homes rising, you have a defensive stock in SIA. You can sleep soundly at night, knowing that the 4.88% dividend is safe.

REIT that serves the seniors

The operations of Chartwell are similar to Sienna Senior Living. While it's a $2.99 billion real estate investment trust (REIT), Chartwell also cares for the elderly. This REIT owns and operates a complete range of seniors' housing communities, from independent supportive living through assisted living to LTC.

Chartwell is the largest operator in the seniors' living sector, with over 200 quality retirement communities located in four Canadian provinces. Over the last 10 years, the stock has gained 202.18%, although earnings have weakened since its banner year in 2015.

Expect weaker-than-expected earnings growth, but the business should endure owing to the increasing demand for senior housing in the long term. Nonetheless, the nature of the business is defensive. The 4.27% dividend should be safe and sustainable.

Chartwell's real estate portfolio consists of upscale and mid-market residences that you can find in urban and suburban locations.

According to management, the REIT is aiming to realize three milestones in 2023 in its retirement residences to drive growth. First up is 55% employee engagement (highly engaged) followed by resident satisfaction (very satisfied) of 67% and the same property occupancy rate of 95%.

Biggest challenge

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A recent economic report by **Royal Bank of Canada** mentions the demographic disruption from an aging population as one of the challenges Canada is facing in the next decade.

With an older population, the government will be under pressure from rising healthcare costs and elder benefits. An estimated 650,000 people will be living in Canadian seniors' residences or nursing homes by 2030.

There's a need to construct more homes for the additional 200,000 elderlies. The government estimates the cost to be at least $140 billion. Thus, Sienna Senior Living and Chartwell Residences are two promising stocks for consideration.

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