TFSA Investors: 1 Top Dividend Stock to Hold Through a Market Crash

Description

As a Canadian investor, maximizing your TFSA to avoid paying dividend and capital gain taxes is a must. You might be wondering what kind of investments you should be putting into your TFSA that provide a degree of security. The answer is REITs.

Stability

A REIT, or real estate investment trust, is a company that owns income-producing real estate. Instead of going through the hassle of investing in an income property yourself, you can invest in a REIT. The company takes care of managing tenants, marketing, and properties themselves but provides the same yearly return that you might find by doing it yourself!

Another benefit that tailors dividend investors to a REIT is the requirement for the company to pay out 90% of its income as dividends. This regulation allows for consistent and long-term dividends, which are sustainable as long as the company maintains occupancy rates.

Having said that, let us jump into a REIT I believe stands out as an investment opportunity.

Northwest Health Properties (TSX:NWH.UN) is a REIT that provides access to a portfolio of high-quality healthcare assets in Canada, Brazil, Germany, Australia, and New Zealand. In Canada, it owns mainly medical office buildings and healthcare facilities.

Global healthcare trends support growth

Northwest Health Property REIT is taking advantage of global population growth, an aging population that demands more healthcare facilities, an increase in obesity, and a growing middle class who have more access to health care financially.

When analyzing different REIT companies, it’s important to take note of their occupancy rate, as it is a key performance indicator. The occupancy rate is the rate at which properties are being leased to total amount of space available. Northwest retains a 97% occupancy rate, signifying a successful business model.

Finances

After analyzing revenue growth year over year for the past eight years, Northwest has sustained a compound annual growth rate of 25%. The company is effectively using its investment cash to generate larger revenues.

Northwest has also lowered its cost of goods sold year over year from 26% of revenue in 2015 to 24% in 2019. This demonstrates the company's interest in lowering operating expenses, resulting in higher profits.

Is the dividend sustainable?

With a payout ratio of 87% in Q3 of 2019, the company is generating more cash than it is paying out through dividends. Over the past year, it has lowered its payout ratio from 90% to 87%. This bodes well for dividend sustainability for the future.

Northwest has historically never cut its dividend, which shows management is making the right decisions to spend within their limit and not overextending. The dividend yield as of writing is pegged at 6% per year.

It is important to note that while the dividend payout is high, the dividend amount has not increased since inception. I would not expect a dividend increase with this company in the short term.

Verdict

This company has been performing well in 2020. Looking at Northwest's stock chart, it has recently pushed to all-time highs. Therefore, I would think of two investment options.

The first option would be to buy and hold. The global trend of medical offices will grow and, in turn, grow Northwest. You would also get paid a nice dividend to hold through a recession.

The second option would be to monitor the stock and buy when there is a pullback. The risk is that it is impossible to time the market, and you might miss out on healthy dividends.

Choose what works best for you, and good luck out there.

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1. Investing

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1. Editor's Choice

TICKERS GLOBAL

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

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