



Income Investors: 3 REITs Least Affected by the COVID-19 Pandemic in April

Description

Real estate is traditionally viewed as a defensive investment during times of economic recessions. However, the sector's ability to weather economic storms is being severely tested during an unusual pandemic economy.

The economic fallout from the global health crisis is affecting everything and everyone, but here are three Canadian real estate investment trusts (REITs) that have been least affected by the ongoing COVID-19 health and economic crisis so far in April 2020.

True North Commercial

Rent collections for April have not been a problem for **True North Commercial REIT** ([TSX:TNT.UN](https://www.tsx.com/quote/TNT/UN)). Management had collected approximately 99% of rentals for April by April 22. This included the trust's government tenants, who pay rent at the end of the month.

Basically, True North remains relatively unaffected by the COVID-19 economic crisis so far this year. Its property portfolio occupancy rate remains strong at 97% with an average remaining lease term of 5.3 years. About 35% of its revenue is from the Federal Government of Canada and provincial governments. About 41% of portfolio rent income is collected from large, well-capitalized, and credit-rated tenants.

There appear to be strong defensive qualities in True North's property portfolio for now. The REIT's portfolio of 49 properties (comprising of 4.8 million square feet) remains resilient and least affected by the COVID-19 pandemic for now. Management expects minimal impact on the trust's financial results in the longer term.

That said, the situation remains volatile. I'll be looking forward to more updates in Q1 2020 earnings on May 5. The nearly 11% current yield on its units looks too good to be true, though.

Killam Apartment REIT

One of Canada's largest residential landlords, **Killam Apartment REIT** ([TSX:KMP.UN](#)), has one of the most resilient tenant portfolios going into April.

As of April 8, the trust had collected about 93% of rent due for the month. This was well in line with the average rent Killam usually collects by the eighth day of each month. The trust was already chasing up on arrears by that time, as usual. The tenant portfolio remained resilient and defensive during the month, with an occupancy rate of 97% with lower portfolio turnover, but leasing levels declined marginally from pre-COVID-19 levels.

Management invited applications for rent deferrals to tenants, but only 1% of residential tenants had requested rent deferrals by the end of the first week of April.

That said, the trust's commercial leases portfolio, which comprised only 5% of total trust net operating income in 2019, had offered 60-90-day rent deferrals to qualifying small business and independent tenant by April 9. This represented about 20% of commercial revenues.

Further, Killam waived rental increases for this year, beginning with the April rent. I wouldn't expect much in same-property net operating income growth from rent increases this year.

That said, due to prevailing uncertainty and an unpredictable pandemic environment, the last update from April 9 is now dated, let's wait for more updated information on May 6, as management presents Q1 2020 earnings results.

NorthWest Healthcare Properties

I [recently recommended buying](#) internationally diversified healthcare real estate investment trust **NorthWest Healthcare's** ([TSX:NWH.UN](#)) units. The REIT's portfolio is one of the most resilient tenant portfolios one could buy into today, and the portfolio has proved defensive and is least affected by the COVID-19 pandemic so far in April.

NorthWest Healthcare's tenant portfolio remained 97.3% occupied in April. Portfolio lease contracts still have 14 years remaining to expiration. About 85% of the trust's revenue is now provided directly by public healthcare funding.

As of April 20, management expected about 93% of its contracted net rent to be collected for this month. A lot more could be collected, as new government support is also expected for its few cash flow-challenged tenants.

The trust's asset management arm signed some new business last year. There was a 130% growth in assets under management to \$8 billion during 2019. Investors should, therefore, expect some earnings and funds flow growth this year.

Further, the trust's balance sheet is being deleveraged to investment grade metrics right now. New liquidity is expected from strategic asset disposals this quarter. Trustees are confident of NorthWest

Healthcare's liquidity; they are planning to launch a share-repurchase program to buy up to 10% of its public float.

We will get more news on May 14 when management releases first-quarter results.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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Author

brianparadza

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