1 Top Canadian REIT to Buy Today and Beat COVID-19

Description

TSX-listed Canadian REITs have been among the stocks worst affected by the coronavirus pandemic. **BMO Equal Weight REITs Index ETF**, which seeks to mirror the performance of an equal weight Canadian REITs index, has lost 20% since the start of 2020. It is Canadian retail and hotel REITs that have been among the most harshly impacted.

Northwest Healthcare Properties (TSX:NWH.UN), which is a top-10 holding in the BMO Equal Weight REIT ETF, has been roughly handled by the market, losing 18%. This has created an opportunity to acquire a high-quality REIT at an extremely attractive valuation. Northwest Healthcare is the ideal Canadian REIT to own during such a challenging economic environment.

Solid fundamentals

An important characteristic that is a top consideration when buying stocks in an extremely uncertain environment is whether they possess strong fundamentals. Northwest Healthcare's 2019 results highlight the strength of its operational and financial position.

It finished last year with an impressive occupancy rate of 97.3% and a weighted average lease expiry of a notable 13.8 years. Northwest Healthcare finished the year with a solid balance sheet, as evident from its debt-to-gross book value ratio of 49.6%.

That emphasizes the certainty of Northwest Healthcare's earnings.

The REIT is also in the process of selling non-core assets in Australia and Europe, which will boost its cash holdings by around $237 million. Northwest expects to generate another $181 million in net proceeds from asset sales during the second quarter 2020.

The REIT is also successfully refinancing its near-term debt, further strengthening its financial position.

Those characteristics will ensure that Northwest Healthcare will emerge from the current crisis in solid shape.

Defensive credentials

Northwest Healthcare's solid fundamentals are enhanced by its considerable defensive characteristics. It invests in real estate, which, as hard asset over the long term, has proven resistant to economic slumps.

Northwest Healthcare's assets are specialist properties for the medical industry, notably hospitals, clinics, and associated facilities. Demand for healthcare is inelastic and, in many developed countries, has been growing at a steady clip because of aging populations. That will ensure the utilization of Northwest Healthcare's properties remains high, further protecting its earnings.

Healthcare has been one of the few economic sectors to benefit from the coronavirus pandemic. While that shouldn't be a key consideration for buying Northwest Healthcare, it is worth noting.

Northwest Healthcare also boasts a wide economic moat, because of steep barriers to entry and the considerable regulation of healthcare services. That protects it from competition and further protects the REIT's earnings, even during economic downturns.

Considerable growth ahead

During 2019 and early 2020, Northwest Healthcare completed a series of acquisitions. These included the $1.2 billion purchase of 11 freehold hospital properties in Australia and $167 million of U.K. hospital real estate. This positions Northwest Healthcare to profit from growing demand for medical services and aging population in both countries.

Those deals, along with Northwest Healthcare's initiatives on unlocking synergies and developing core properties, will give earnings a solid boost.

Foolish takeaway

Northwest Healthcare possesses solid defensive attributes, which will shield it from the worst of the economic fallout from the coronavirus. That, and with Northwest Healthcare trading at a 30% discount net asset value, highlights why now is the time to buy. The REIT's appeal as an investment is enhanced by its regular distribution, which is currently yielding juicy 8%.

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mattdsmith