



Income Investors: \$10000 in This Stock Earns You \$700 a Year in Income

Description

It is easy to get distracted by the American markets. The **NASDAQ**, in spite of the occasional pullback, is consistently hitting all-time highs. The **S&P 500** and even the **Dow Jones Industrial Average** indices are getting back to highs they hit earlier in the year. It can be a little deflating when you see that your Canadian stocks (ex-**Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) and some other tech) are sitting stagnant.

Those discouraging stocks can weigh a bit on investors. FOMO is a powerful force. The disparity between income stocks and growth stocks is huge. People are chasing momentum, making it very difficult to stay the course. That is what makes it so hard to go your own way.

It is easier to win or lose with the crowd than to win or lose on your own. Be different. Put \$10,000 into this following RET instead and earn \$700 in income every year.

The crowd has left deals behind

Long-term investors should look at the bright side. The crowd left behind a lot of investing possibilities as they stampeded into the same products and stocks. REITs are definitely suffering, even those that operate in still-in-demand sectors like healthcare.

NorthWest Healthcare Properties REIT ([TSX:NWH.UN](#)) is one of those names that look attractive at these levels. This company ticks many great investment boxes. It trades at a reasonable valuation, has a good yield, and is reasonably diversified across geographies. If I were the sole owner of this company, I would be pretty happy to hold it for years.

Valuation and distribution

As was the case with most REITs, NWH was smacked hard in the March sell-off. It fell to just above \$6 a share, almost 50% below its current price of \$10.84. If you had the fortitude to pick it up at that point, you would be sitting on a nice gain at the moment.

Nevertheless, even today the stock is trading below its 52-week high of more than \$13 a share. The stock currently has a P/E ratio of about 11 times trailing earnings at the moment. With operations now returning to full swing, the company's earnings should begin to strengthen. Increased earnings should help drive the P/E even lower. I wish it was still trading below book value, but even at a price to book of 1.26, it is still reasonably priced.

The [company has a yield](#) of over 7% at the moment. The payout is quite solid, especially given that in May, during one of the worst periods for the pandemic, the REIT was able to collect 84% of all its rent. Even more encouraging was the fact that it collected 97% of the rent from its top ten clients. Indeed, 100% of its properties were open during that tough month.

Diversification

This REIT has a globally diversified portfolio of operations in Australia, Canada, Brazil, and Europe; 80% of its clients are governments. Its [properties consist](#) of hospitals, clinics, and pharmacies. These are businesses that will remain in demand during a pandemic, of that I am fairly certain.

The bottom line

If you are a long-term investor, you will likely do very well over the long term by investing in solid, income-generating companies like NWH. You need to avoid the hype and fear of missing out, however, as you wait for your portfolio to slowly grow over time. The fact that the crowd is all rushing in the same direction should not dictate your policy.

This is not a normal market. Emergency initiatives taken by the central banks and governments are distorting financial markets. The hot stocks are in the news and gain your attention.

Keep in mind some wisdom that Warren Buffett reinforced many years ago. You are not buying a stock, you are buying an ownership interest in a business. If you were to buy an entirely private company, there would be no daily reminder as to how much money your business is worth. There would only be the earnings that remind you of your profitability.

NWH is a strong business trading at a reasonable price. It has a great yield and excellent diversification. It will probably not show up in the news as the next, hottest thing, but maybe that is a good thing. Get your \$700 a year from NWH.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Date

2025/08/19

Date Created

2020/07/14

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