Get Your House in Order With Real Estate-Proof Defensive Stocks

Description

No one wants to use the “r” word, especially not when some optimistic market watchers are finally calling for an end to the bear market. But just when it appears that things are indeed picking up, there is some turbulence being signaled in the real estate business. So, as the song goes, is it time to face the music and dance?

What might happen if real estate starts to level out?

First, let’s look at the warning signs. Home sales are down, as some sellers watch the market and hold off. New rules for first-time buyers also came into effect at the start of the year, making it harder to get a mortgage, and this has caused buying to slow somewhat. Couple increasing mortgage rates and still-elusive certainty in the housing market, and you have a situation that may become stagnant for a while.

How might this compound other factors facing the already volatile economy? Oil and gas is up (read on to the end of this article to see how that could play out for investors). And don’t forget that interest rates are rising. This last factor is important because it impacts mortgage applications. As many Canadian households are holding a fair amount of debt, a rising interest rate could also see growth of the national economy start to slow a little.

Defensive buying is a better idea than ever

Make hay while the sun shines, as the saying goes. While things are still going well is *exactly* the right time to prepare for the next financial crisis, if and when it comes. With economic growth and low unemployment finally returning to the U.S. and Canada, now is the time to start investing wisely for the future.

Energy stocks are among the best defensive stocks to hold when the economy wobbles. And wobble it might, what with talk of trade wars, renegotiated trade agreements, and the possibility of conflict in the Middle East and North Korea (the latter of which, by the way, is already affecting U.S. stock markets).

Investing in oil makes sense — it’s right there beneath your feel, barrels and barrels of it. Don’t like the idea of fossil fuels? Fine, pick an energy company with assets diversified across traditional fuels and renewables. But while there are various ways to play energy stocks, the most obvious ones are usually the safest. Look for stability from diversified assets and operations spanning both production and sales and distribution.

So, where should you turn for some of the most stable stocks?

Suncor Energy Inc. (TSX:SU)(NYSE:SU) is a solid buy. It's been cutting costs and growing its asset base, which is great news for anyone looking for a stock unlikely to be majorly affected by a turbulent economy. Holding both refineries and retail assets, Suncor is a tasty dividend buy with a 2.8% yield at the time of writing.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is another defensive stock, and many good things are currently being written about it. Besides being an oil producer, it's also a distributor, meaning that its operations are about as untouchable as a major energy players can be. A long-term feature on the energy landscape, holding Enbridge along with Suncor is a dull but solid play. After all, when markets are a bit too interesting, your portfolio shouldn't be.

The bottom line

If real estate starts to level off, you might want to start buying up defensive stocks and perhaps even selling some of your more sensitive commodities. To reiterate an earlier suggestion, one of the things that may drive turbulence in the economy is the current rise in oil prices. That makes oil a fairly safe place to invest, since it's one of the main areas that will continue to do well should national fortunes feel the effect of a slowing housing market.

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