2 Smart Stocks to Play an Explosive Housing Crisis

Description

Tensions were high leading up to the general election, but the Liberals pulled it out the bag again — more or less. However, a mixed, unevenly overheating housing market could be a defying hurdle for the new minority government. With both Toronto and Vancouver exhibiting signs of a real estate bubble, and Canadian households already glutted on credit, there's a dangerous situation in the making.

Statistics Canada highlighted one of the biggest cracks in the country's economy recently when it reported on Q2 trends in household debt. The long and short of it is that Canadians carry debt levels at 177% of their disposable income. The debt-service ratio during the second quarter was 14.93%, a level unseen since the darkest days of the financial crisis.

A REIT that sidesteps a housing bubble

Looking for a REIT that can hold its own throughout a potential housing meltdown? **Northwest Healthcare Properties Real Estate Investment Trust** (TSX:NWH.UN) pays a very satisfying 6.6% yield and represents an unassailable, recession-proof play in the real estate space.

Since Northwest Healthcare Properties collates assets in the medical sector, its assets are safe from a meltdown in residential real estate. Also, unlike other REITs that focus on retail or office real estate, Northwest Healthcare Properties avoids the risk of a full-on market downturn.

It's also a neatly diversified play, not only for its mix of asset types within the healthcare sector, but also its geographical spread, which takes in such regions as Australasia, Brazil, Canada, and Germany. By adding this REIT to a portfolio, investors retain the high-yield returns of real estate investment with much lower long-term risk.

A key financials stock to avoid traditional banking risks

Risks abound in the banking sector, with the very real possibility of mass loan defaults casting a long shadow over Bay Street. Coupled with the risk of bad loans, a runaway alternative-lending market fed by incentives to get millennials into houses has echoes of the subprime crisis about it.

Investors might consider **goeasy** (TSX:GSY) — a banker with a last-resort lending model that aims to get credit to Canadians in a pinch. While a nation of homeowners constrained by stultifying mortgages and other big loans may effectively freeze growth among the Big Five during an extended crisis, outfits like goeasy could find themselves picking up that growth and running with it.

Goeasy placed 14th on the TSX 30, having grown its share price by a staggering 209% over the last three years. However, future growth could be contingent on a big maybe: that goeasy has a plan in place for the possible passing of any new bill that lowers the maximum interest rate.

The bottom line

While alternative lending would indeed part of the problem in a housing/credit meltdown, shareholders with a low level of investment in goeasy may find that its maneuverability balances the risk of a Big Five portfolio. Meanwhile, investors wishing to keep their exposure to real estate while avoiding the risk of a housing bubble have a strong play with Northwest Healthcare Properties.

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vhetherington