2 Ways You Can Capitalize on a Housing Crash in 2020

Description

Home sales in Canada are still on the rise, according to Vancouver's real estate board. The last decade saw phenomenal growth in Canada's real estate sector. The rise in demand for houses has led to an increase in real estate property prices.

The continual rise in housing valuations for major Canadian segments has created a bubble. That bubble seems to be in the position to burst, and we all know what happens when the housing market collapses. Crippling consumer debt might work in tandem with the housing crash to catalyze the imminent recession.

If you are afraid of the effects of a housing crash, you are not alone. While a lot of investors might feel inclined to run away with their tails between their legs, I think that there is a way you can play it smart and capitalize on the market crash.

I am going to discuss a way you can leverage a possible housing market crash and take a look at **InterRent REIT** (TSX:IIP.UN), a stock you can utilize to your benefit due to the ensuing downturn.

Cheaper housing market

What happens when the demand for any product collapses? The price of the product in question falls drastically. As valuations for Canada's major housing markets come back down to more reasonable rates and crash further, investors looking for exposure to real estate can purchase houses for a massive discount.

A part of the economic cycle is that it can experience a downturn. The downturn can be drastic, resulting in a significant loss of funds for everybody, from property owners to the banks. Another part of the economic cycle is the fact that the market recovers, and valuations go back up. It may take its time, but the market always recovers.

Possible REIT sell-off frenzy

If you are a more cautious investor who wants exposure to the real estate sector, but you do not want to own property, real estate investment trusts (REITs) like InterRent could be an ideal alternative to consider. As the prices for residential real estate crashes, investors holding shares of stocks like InterRent might go into a frenzy of sell-offs, resulting in discounted prices.

InterRent is a REIT with a primary focus on residential properties in Canada. Over the past five years, InterRent has been one of the top REIT growth stocks due to a phenomenal demand in the housing market. If a housing market crash occurs, sell-offs can lead to the stock being oversold, and *that* is where the opportunity lies for you to capitalize.

InterRent performed well in terms of price and dividend growth among Canadian residential REITs. In the past 12 months, the stock gave a 22.74% return to its shareholders through capital gains. The company also experienced a 41.15% dividend growth in the same period.

Foolish takeaway

Growing dividends are a sign that the stock can remain intact and attract new investors. The panic in the housing market crash can see major sell-offs for residential REITs like InterRent and present others with the opportunity to purchase the stock when it is down. While it may be a long-term bet, investing in InterRent in light of a crash can see substantial growth for your investment as the market recovers.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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Date
2025/07/04

Date Created
2020/01/21
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