CAUTION: The Housing Market Might Crash in 2020

Description

Canada is increasingly becoming an ideal country place to relocate. The surge in people moving and purchasing properties there has led to a significant hike in property prices, and it's no secret that the Canadian housing market has seen a bubble for a few years now.

Prices of properties in Vancouver and Toronto are at unbelievable highs. Canada's housing market is effectively one of the most vulnerable markets when it comes to a price correction. The price-income ratio and price-rent ratio are above long-term averages. These are all worrisome signs that can lead to a crash.

The crash might finally come this year

Canada's policymakers have made concerted efforts to mitigate the overwhelming price hike in Canada's major housing markets. The introduction of a foreign buyer's tax had little effect, and the situation has not improved. The housing market is a dangerous bubble ready to burst now.

As well, it doesn't help that Canada's debt-income ratio is also becoming more alarming. The average Canadian is struggling to keep up with mortgage payments despite lower interest rates.

The overall slowdown in economic growth and consumer spending is adding more fuel to the inevitability of a substantial housing market correction.

How to prepare for the market crash

Real estate has historically been considered an immensely valuable asset to invest in. Sure, it requires massive initial capital, but the asset appreciates over time and serves the purpose of being a great security for the owner.

A market crash can see a significant correction, which translates to a potentially devastating impact on our financial situation.

If you want to have your equity value tied up in the real estate sector, but want to protect yourself from the effects of a downturn in the housing market, there is a way you can achieve your goal. Instead of investing in the housing market or trying to purchase any real estate at all, you can consider investing in a real estate investment trust (REIT) stock like **Morguard REIT** (TSX:MRT.UN).

Investing in a REIT

A REIT like Morguard can help you mitigate the effects of a housing market correction without the need to move away from the potential gains of the real estate industry. A REIT does not just give you exposure to the real estate sector. The REIT also makes it more accessible.

The REIT owns properties in the real estate sector, and as a shareholder, you own part of the trust. REITs are required by law to distribute earnings to shareholders.

Morguard is one of the cheapest REIT stocks right now. It’s trading for just $12.39 per share at writing with a massive dividend yield.

Foolish takeaway

The management figures that the stock is worth more than $20 per share, but the stock remains at around $12. The REIT has extensive exposure to Alberta’s real estate market.

The fact that the REIT owns more than eight million square feet of retail, industrial, and office space makes it attractive. The REIT does not depend on the prices of the housing market.

Investors who own shares of Morguard are waiting for the share prices of this stock to appreciate and move to normal levels. Even while waiting for the stock to appreciate, you can enjoy substantial income through its 7.75% monthly distributions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRT.UN (Morguard Real Estate Investment Trust)

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