



Should You Buy REITs if You Think the Housing Market Will Crash?

Description

It's no secret that the Canadian housing market has been experiencing a bubble for the past few years. Canada is fast becoming a popular destination for people looking to start a new life in another country. The influx of foreign investors has led to price hikes in prime real estate locations in major cities.

Many financial gurus have been warning Canadian investors of the fragility of the housing market. With credit continuing to tighten and the debt crisis increasing, the real estate market could be a significant liability for investors.

Canadian real estate investment trusts (REITs) were once referred to as “poo-poo” by Kevin O’Leary. Considering the exposure that REITs have to the highly inflated housing market, that comment hardly comes as a surprise.

Of course, I don’t think all REITs should be considered the same when it comes to the possibility of a [housing market crash](#). Yes, a significant segment of REITs will suffer, and you need to stay away from them. However, there are REITs I think you could consider investing in, even if the housing market crumbles in Canada.

I am going to discuss **Inovalis REIT** ([TSX:INO.UN](#)) and **Killam Apartment REIT** (TSX:KMP) to this end.

Inovalis

Inovalis is a Europe-centric REIT that owns and operates commercial buildings in some of France and Germany’s most lucrative urban real estate markets. The stock is trading for \$10.96 per share at writing, and it has a dividend yield of 7.53%. The dividend yield typically stays around the 8% region due to short-term share price fluctuations for Inovalis.

If you are considering getting a decent increase in income through dividends, Inovalis does not seem like a bad option. It is a relatively small market capitalization REIT with a cap of \$315.35 million. The REIT is, however, growing. It has a small but formidable portfolio of real estate in a safer real estate

market.

Inovalis's exposure to the French and German office real estate markets effectively insulates your investment from the effects of a housing market crash in Canada.

Killam

When it comes to the most at-risk bubble in Canada's housing market segments, the Greater Vancouver Area and Greater Toronto Area make it to the top of the list. Both areas are considered to be among the most significant [housing market bubbles](#) in the world.

The key to finding a REIT that might not suffer the effects of those two markets bursting is to navigate to areas further away from both at-risk regions. Being a growth REIT, Killam owns, operates, and develops manufactured home community (MHC) properties in Alberta, Ontario, and the Atlantic coast.

Real estate investors rarely turn to MHCs as an investment option due to the affordability this property type offers. The Atlantic coast is also relatively shielded from the effects of a housing market crash over in Vancouver and Toronto. Even if the bubble bursts violently, little more can affect the REIT.

Alberta's market is already down significantly, and a meltdown in the overall housing market is unlikely to affect Killam's portfolio in the area further. The stock offers a decent dividend yield of 2.92% at writing, trading for \$22.61 per share.

Foolish takeaway

The key to securing your financial position in the event of a housing market crash is to invest in assets insulated from its effects. Killam and Inovalis are both REITs that can give you exposure to the real estate markets while minimizing your risk in case there is a violent burst of the bubble.

Investing in these two REITs can secure your assets as well as provide you with a means of generating passive income through decent dividend payouts.

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1. Dividend Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
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