Coronavirus Crisis: Will Housing Markets Plummet or Rise?

Description

The last decade was fantastic for the **TSX Index** as it reached all-time highs. The year 2019 was rife with fears of an imminent recession that is always a part of the economic cycle. The oil crash and coronavirus pandemic, however, have changed the picture entirely.

A drastic and sudden shutdown of the economy is not something anyone ever expects will actually happen, but that's exactly what's happening right now. Even during the global market meltdown in 2008, people could go about their regular workdays. The ongoing pandemic, however, has halted global economies unlike ever before.

Such a situation is bound to have far-reaching economic consequences. With all the advice I can offer, the fact of the matter is that there is unprecedented. However, we do know that certain sectors are nearly certain to take the brunt of the consequences over the coming months.

The housing market bubble

The Canadian housing market had already been a bubble ripe to burst without the coronavirus becoming a factor. Values of real estate throughout the most significant Canadian cities like Montreal and Vancouver reached unnerving highs. The government took measures to introduce higher taxes on foreign investors to deter inflation, but nothing bore adequate results.

The coronavirus-led shutdown is going to amplify the problems further, potentially pushing certain companies across various sectors of the economy into the ditch. The real estate sector is already vulnerable, but the addition of coronavirus into the mix could spell horrible news for the industry.

Coronavirus and the real estate sector

While I'd like to tell you I have a definitive opinion on the matter, I don't. Nobody does. What I can tell you is that I am closely looking at the situation as it develops and the impact on Canadian housing markets.

I can tell you that the Bank of Canada is ill-prepared for the shock this pandemic has left the economy in. Canadian households are the most indebted among the G7 nations.

The household debt servicing ratio was already at a record high despite steadily decreasing interest rates. Household savings are close to 60-year lows in Canada.

The shock will result in a drastic hit to the household income, increasing layoffs in the country. Servicing debts will likely become progressively challenging.

What to do

I recently talked about **Morguard REIT** (TSX:MRT.UN) as an asset to consider in the event of a housing market crash. Real estate investment trusts like Morguard offer you exposure to the real estate sector without direct involvement with the risks of the industry. It also makes the real estate industry more accessible to shareholders.

Morguard is one of the most affordable REITs you can consider right now. It owns, operates, and develops properties in the real estate sector. As a REIT, Morguard is required by law to distribute its earnings to shareholders.

At writing, the stock is trading for $5.08 per share. It is down by more than 50% year to date, and there is no telling how far it can decline in the current situation.

Foolish takeaway

It takes courage to hold on and keep investing in turbulent markets. As a long-term investor, you should consider more than the short-term outlook no matter how bad things may seem.

Like any pandemic, the coronavirus is serious. Like all successful investors, however, you also need to remember not to panic.

Consider investing in the equities that may be volatile right now but offer healthy long-term prospects. To this end, Morguard could be worth allocating some of your capital towards, so you can come out wealthier once the markets recover.

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