
Housing Crash 2020: 2 REIT Stocks to Buy if the Market Tanks

**Description**



As the COVID-19 shutdown continues, the economy is grinding to a halt, and the situation looks bleak for all Canadian investors. The real estate sector, in particular, is entering a deep freeze state due to the persisting shutdown. A great number of Canadians are jobless right now as non-essential businesses shut down.

Small businesses are on the brink of crashing down, and the debt crisis is getting worse as the mortgage lending tightens. Add an oil price decline into the mix and we have the perfect recipe for a monumental housing market crash.

If you have vested interest in real estate investment trusts (REITs), you might be wondering what you should do in the situation.

## The possibility of a housing market crash

A drastic decline in average income with a pullback in credit could be the catalysts that can lead to the crash of Canada's housing market. The ongoing shutdown is seeing millions of Canadians lose their jobs. I don't think it is unfair for me to say that the average Canadian's ability to purchase real estate has been decimated.

Banks will eventually have no option but to tighten lending rules, which could further diminish buying power. The spike in unemployment and restrictions in lending could lead to homeowners selling property for discounted prices. In times like this, the wrong REITs could sink your hard-earned capital.

## REITs to weather the crash

REITs generally respond to moves made by the broader market. Amid such an environment, REITs are prone to volatility. The distributions by REITs, however, can be more sustainable compared to dividend-paying stocks with artificially high yields due to the market correction.

**RioCan REIT** (TSX:REI.UN) and **SmartCentres REIT** (TSX:SRU.UN) are two REITs you could consider parking your capital in to weather the storm.

Both stocks are in oversold territory right now. The REITs took a nosedive with the rest of the market as the pandemic-fueled market meltdown began.

## RioCan REIT

RioCan REIT is trading for $15.37 per share at writing and offers investors a juicy 9.37% dividend yield. It's certainly shocking that such a high-quality stock is down by more than 40% from its February 2020 peak, but the situation calls for it.

The REIT has an outsized yield considering its distributions typically stay around the 5% mark. The stock took a beating in the last recession as well, but it has proven itself to be a reliable source of passive income for its shareholders.

RioCan is a diversified REIT known for its reliable cash distributions to shareholders. It is reputable a stock you can trust to give you security from a market-wide meltdown. Still, nobody can guarantee the insulation, as we witnessed in the recession of 2008.



While RioCan has suffered from the current crash, I believe that its shares will recover with time. You can invest in its shares to lock in a high dividend yield while the market repairs itself.

## SmartCentres REIT

One surprise for me during this market crash has been SmartCentres REIT. It has imploded in the onset of the coronavirus-fuelled market pullback. At writing, it is trading for $19.56 per share and offers shareholders a dividend yield of 9.46%, as it is down by almost 40% from its January 2020 peak.

As a precautionary measure against the pandemic, people need to avoid large gatherings. Shopping malls are the last place people want to spend time in. Most shopping malls have reduced the hours they operate while they take measures to prevent the spread of COVID-19.

SmartCentres' portfolio primarily consists of malls, and is suffering from lower footfall due to the pandemic. While it might be alarming, the dip could be temporary, and will not cause significant vacancies in its properties.

SmartCentres' tenants are taking on most of the damage. As long as they can pay their rents, however, SmartCentres can continue paying its shareholders.

## Foolish takeaway

In times of a housing market crash, it's better to avoid acquiring assets with significant exposure to the residential real estate sector. You need to consider REITs that can pay distributions with relativelylower risk compared to the residential sector REITs.

RioCan and SmartCentres are two REITs well-poised to weather the storm of a recession better than most others in the real estate sector.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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