2 Mistakes That Could Cost You Big in the Coronavirus Era

Description

Don't chase this coronavirus plagued market after the best month in decades.

While I wouldn't "sell in May" with the intention of going away, I would urge beginner investors to exhibit patience and not make the following two mistakes that are all too common with beginner investors amid these unprecedented times.

Mistake 1: Not spreading your buying activity over time

If you're a young investor with excess cash, feel free to nibble away at some of the spec bets that have opened up. But if you want to take a page out of Warren Buffett's coronavirus playbook, now may be a time to exhibit patience and only nibble away at stocks that you know to be undervalued, as there's a chance that we could be winding down from the first of many coronavirus outbreaks that could happen over the next few years.

The reality of the situation remains bleak. Thus, investors should maintain their liquidity in case it rains gold again as it did during the depths of the Financial Crisis.

Depending on the outcome of exogenous coronavirus-related events, March's market bottom could easily be retested over the coming weeks and months. As such, it's vital for investors not to get *too* greedy in the early innings of a bear market that could be measured in months (or years) and not weeks.

It's impossible to know whether the March lows will be a real bottom to this hideous coronavirus-induced bear market. As such, Foolish investors would be best served by spreading their buying activity over the coming months and only reaching for stocks they know to be undervalued — and not betting the farm on the pre-pandemic investments that suddenly became highly speculative during the pandemic and post-pandemic era.

Mistake 2: Not being wary over "sound investments" that the

coronavirus has transformed into a “speculative bet”

I believe the coronavirus pandemic has blurred the lines between investment and speculation. And for new investors, it can be hard to distinguish between the two given the unprecedented uncertainties brought forth by this horrific pandemic.

It’s fine to bet on speculative plays if you understand the elevated risks involved in the era of coronavirus, but it’s *not* okay to unknowingly bet the farm on shares of a hard-hit company with the assumption that things will return to pre-pandemic norms.

It may make a tonne of sense for a young investor to bet on a hard-hit spec play like **H&R REIT** (TSX:HR.UN), which has been battered amid the coronavirus crisis. It’s a prime example of a sound long-term investment that suddenly became speculative amid the pandemic.

For H&R REIT, the future demand for office and retail real estate remains largely unknown. In a pandemic environment, H&R REIT may find itself chasing its tenants for its monthly rent while working on rent deferral plans for tenants, many of which may be unable and unwilling to renew a lease in the post-pandemic era.

If you’re of the belief that office and retail space will still be in relatively high demand in the post-pandemic era, H&R REIT looks nothing short of a bargain at these valuations, even though its distribution grows more suspect the longer this pandemic drags on.

But if you see the coronavirus changing the demand for retail and office space for good or if you have no idea what kind of long-lasting damage the coronavirus will have on the office- and retail-weighted REITs like H&R REIT, there’s no shame in *not* swinging on the seemingly decent H&R pitch that Mr. Market has thrown your way.

H&R REIT shares are down around 60% from pre-pandemic heights. And although shares look like a steal, they may not be depending on your personal outlook on the future of office and retail. Fortunately, you don’t need to have an opinion or a thesis if real estate lies outside your circle of competence.

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