



2 Smart Ways to Make a Killing From a Housing Market Crash

Description

The 2010s were a remarkable decade for the Canadian housing market. The past 10 years saw the sector soar to unbelievable heights, leading to plenty of skepticism. Currently, Canada's economy is struggling through an economic crisis it has not seen the likes of since the crash of 2008. The skeptics are back, and there is already a decrease in housing market activity.

There are reasons to believe that the housing market will crash. I'd already discussed how the [housing market could crash](#) due to the COVID-19 pandemic towards the end of last month. However, there might be a few reasons to believe why the housing market is not done just yet.

I am going to discuss why the current housing market situation can help you become rich through the help of a private mortgage insurance stock called **Genworth MI Canada** (TSX:MIC).

Buying on the dip

The Canadian housing market has been exhibiting signs that a market crash might be imminent. However, the fundamentals of the housing sector remained relatively strong in April. Sales have definitely taken a hit, but the demand remains high, and the supply has not yet caught up to it.

Previous housing market declines happened because homeowners felt compelled to sell properties. The government's policies during this challenging time might prevent that from happening. Canada's aggressive government bailout package might prevent a full-blown market meltdown, and the banking sector is aiding with its mortgage deferrals.

There is a chance we will not see a slump in sales substantial enough to cause a crash. However, sales have taken a hit. According to the Canadian Real Estate Association (CREA), there was a 14.3% decline in home sales during March compared to February. The number of homes listed for sales also dropped 12.5% month over month.

The decrease in sales activity should not worry investors too much. Canada's housing was looking at another solid year before the [COVID-19 outbreak](#) disrupted everything. The fundamentals will mostly

remain strong, as the markets begin to operate again. The Canadian housing market will likely grow due to an ever-present demand and low supply, particularly in major Canadian cities.

A top housing sector stock

I mostly talk about real estate investment trusts (REITs) when I discuss real estate sector stocks. However, my ideal pick to help you make an immense amount of wealth during the current housing market situation is a private residential mortgage insurance company called Genworth MI Canada.

The stock saw a significant drop from peak to trough from January to March 2020, as it fell by over 60%. However, since March, Genworth has gone through a rally that has seen the stock climb up to \$34.32 at the time of writing. That is a 40.23% increase from its 52-week low.

Genworth is among the top dividend-paying stocks on the TSX right now. It has a dividend-growth streak of 11 years. The last dividend Genworth paid its shareholders was \$0.54 per share at a 6.29% yield for the current share price. The stock has a favourable price-to-book ratio of 0.77 and a forward price-to-earnings ratio of 7.36.

The current decline in sales activity will likely harm Genworth's short-term prospects, but it has fundamentals that can help it power through. The federal government is playing the role of guarantor for Canadian housing through mortgage deferrals. Municipalities are also stepping in to offer property tax deferrals to homeowners under pressure due to the crisis.

Foolish takeaway

While I still might have my reservations about the housing market's short-term health, I think there are chances that investors can make significant profits off the situation. I would not consider investing in most REITs during this time, but Genworth seems like a stock well positioned to exhibit immense growth.

Its current share price is up from the past month after a rally, but it is far from its price at the start of the year. It possibly makes Genworth a bargain that you might want to consider adding to your portfolio.

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