



Buy This 1 REIT Stock if the Housing Market Crashes

Description

For years now, analysts have been predicting a [housing market crash](#) in Canada. During the last 10 years, housing prices in major Canadian cities like Toronto and Vancouver soared to astronomical heights. With the housing market effectively becoming a bubble, it is only a matter of time until we see a significant price correction.

Despite repeated signs of a bubble, we didn't witness any devastating crash for a long time. Until this year began, it seemed like we might not even see a housing market crash at all.

The outlook on it changed with the outbreak of the COVID-19 pandemic this year. Nobody could have predicted this global health crisis, but it has sent stock markets around the world crashing.

Perilous signs

While a market rebound might be underway, the volatile economic situation can lead to the market crash taking place. With millions of Canadians without jobs due to the economic shutdown, the fear is that many people will default on their loans — including their mortgage payments.

Canadians who can't earn an income can't pay down their debts. The debt-to-income ratio for the average Canadian household was already bad enough before the lockdown. The government had been decreasing interest rates to help citizens pay off their debts.

With no earning power, that fear can become an eventuality. While banks have deferred collecting mortgage payments, Canadians will need to pay their mortgages at some point.

There is also the possibility that Canadians might begin to struggle so much with debt that they may be forced to sell the houses for lower prices. Lower property prices and increased listings can lead to oversupply in the housing market with diminishing demand: the perfect recipe for disaster.

Despite the combined efforts of the Canadian government and the banking sector, there's a chance of a housing market crash. In the event that a market crash takes place, there are a few options you can

consider to protect your capital and even take advantage of the market crash.

A top Choice

[Real estate investment trusts](#) (REITs) are securities that offer investors exposure to the real estate market without having to own properties.

As an investor, you need to look for REITs that can come out strong after a housing market crash. The COVID-19 pandemic has led to a decline in the broader market, and REITs are also suffering from the pullback.

Stocks like **Choice Properties REIT** ([TSX:CHP.UN](#)), however, have a more substantial chance of coming through the other side of the incoming housing market crash relatively unscathed.

If the housing market crashes, exposure to residential real estate can lead to significant losses for investors. Choice Properties has a portfolio of stocks that combine a mixture of various properties, but its primary holdings are in commercial real estate properties.

Choice is lucky to have **Loblaw** among its most significant tenants. The largest grocery store chain in Canada is a reliable source of income for CHP. In case the housing market indeed crashes, CHP can see a dip in its prices, but it is likely to emerge stronger thanks to its portfolio of commercial properties.

Choice Properties is also investing in developing and operating condos as well as office properties that can further boost its income. With Loblaw occupying its properties, any offices or condos that CHP builds over Loblaw stores automatically increases the value of the real estate, allowing it to charge tenants higher rent.

Foolish takeaway

At writing, CHP is trading for \$12.41 per share. From the start of the year, the stock is down 9.68% as it continues to suffer from the broader market downturn due to the pandemic. Even if the housing market witnesses a severe correction, Choice Properties' reduced exposure to residential properties can provide its safety from the crash.

CHP could be an ideal option to consider for investors who want to invest in REITs without suffering the impact of a housing market crash.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)

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