Is a COVID-19 Housing Crash Already Happening?

Description

The past 10 years have been phenomenal for the housing market in Canada. In major Canadian cities, the prices of residential properties have been soaring with no signs of slowing down. Analysts had been expecting the housing market to come crashing down due to inflated prices for a few years, but the market correction never seemed to arrive.

But, housing market prices have begun to decline now. The Canada Mortgage and Housing Corp. (CMHC) recently announced that the impact of the COVID-19 pandemic might be severe. They do not expect real estate prices to return to pre-recession levels until at least 2022.

Unpredictable market

Officials from the CMHC also reported on May 5, 2020, that the impact of this global health crisis is entirely unpredictable. The housing agency conducts regular stress tests that help it predict the outcome in the housing market under various stressful conditions. The effect of the pandemic has been far worse than even its worst-case estimates.

According to the chief executive of CMHC, Evan Siddall, the stress tests focus on plausible scenarios. The agency did consider the effects of a pandemic on the housing market back in January. At the time, however, it could not predict the severity of what would happen.

The chief economist at CMHC said that it is unlikely for them to be able to provide reliable forecasts due to the uncertainty in the market right now. However, the best-case scenario, according to CMHC, will see markets recover to pre-recession prices by the end of 2022 at the earliest.

Investors with exposure to residential real estate properties may witness significant losses to their capital until the housing markets begin to recover. As ever, it is important to diversify holdings to protect your funds.

Safe stock to consider

With the uncertainty in the market, investors must consider safer options to park their capital. Reliable dividend-paying stocks that enjoy relative insulation from the effects of the lockdown can offer investors a fighting chance to protect their wealth.

Building a portfolio of safe dividend-paying stocks and holding it in your Tax-Free Savings Account (TFSA) can help you achieve that. A stock like **BCE Inc.** (TSX:BCE)(NYSE:BCE) can be an excellent choice to consider as the foundation for such a portfolio.

BCE is a stock that can fare better in the pandemic than most other stocks trading on the TSX. Mobile phones and the internet are essential services in the world today. They allow people to remain connected with each other as they practice social distancing and offer them viable sources of information and entertainment. It makes the telecom sector crucial for people in Canada through these challenging times.

BCE is among the top telecom providers in Canada. The company does not have a reputation for being an outstanding growth stock. Its revenue increased by just 2.1% last year, and the company's top line grew by 5.5% over the previous 24 months. In a typical market situation, these are not the kind of numbers that attract growth investors.

In the current market situation, however, its dividends and stability in revenue can make BCE the kind of rock-solid investment that can offer investors protection for their capital. BCE is faring better than the broader market.

Where the **S&P/TSX Composite Index** is down by over 11% from the start of 2020 at writing, BCE is down by just 4.24% in the same period. It is paying its shareholders with a juicy 5.83% dividend yield due to its current share price of $57.13, and its income is unscathed by the pandemic.

Foolish takeaway

In the current situation, a housing market crash can cause severe issues for the broader market atop the COVID-19 pullback. I think that it would be a wise decision to focus on creating a TFSA portfolio that consists of reliable dividend-paying stocks for tax-free dividend income. To start building such a portfolio, I think BCE can be an ideal stock.

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Author
adamothman