Weak Housing Market Could Last Until 2022 Says CMHC

Description

The 2010s were a fantastic decade for the Canadian housing market. As economies recovered from the financial crisis of 2008-2009, there could have been little anticipation for how much they would improve in Canada's real estate sector. The prices of residential properties in Canada soared throughout the last 10 years.

With the increasing prices of real estate in the residential segment in major metropolitan cities like Vancouver and Toronto reaching all-time highs, there was a growing fear of a housing market bubble that would burst. Year after year, analysts predicted the possibility of a housing market crash, but we never saw that happen, even in 2019.

The outbreak of the COVID-19 pandemic and its effects on global economies might have made investor fears become a reality. The housing market seems to be slowing down, and according to officials from the Canada Mortgage and Housing Corporation (CMHC), the depressed real estate prices might not return to their current rates until late 2022.

Unprecedented events

While there was a fear of a housing market crash, the economy seemingly managed to circumvent the issues and continue exhibiting higher prices for residential properties. The COVID-19 pandemic became the latest black swan that has opened the doors for the seemingly elusive slowdown in the housing market.

CMHC has warned that the impact of the novel coronavirus on the economy is not predictable. The housing agency conducts regular stress tests to determine the possible effects on the market in case it faces adversity. However, the ongoing health crisis has been beating the worst expectations from any of their routine stress tests.

Mortgage deferrals galore

According to preliminary figures obtained by the CMHC, around 10% of Canadian homeowners have deferred mortgage payments. In areas of the country that rely on income from the oil and gas industry, the ratio of homeowners deferring mortgage payments is higher. Canadian Mortgage and Housing has given lenders the flexibility to extend mortgage deferrals by a further six months.

CMHC Chief Economist Bob Dugan has said that the unpredictability of COVID-19 makes it almost impossible to make reliable forecasts for the housing market performance. According to the housing agency officials, the best-case scenario for housing prices returning to pre-recession levels can go as late as the end of 2022.

Securing your capital

To this end, I think **Fortis** (TSX:FTS)(NYSE:FTS) could be an excellent pick. The pandemic has compromised the portfolios of Canadian investors due to immense losses in the stock market. Various sectors of the economy have taken a hit as a result of the black swan panic and lockdown. Fortis enjoys a relative degree of insulation from these impacts of the coronavirus.

Fortis is a utility sector operator that can shield your capital and help you earn income from it at the same time. FTS provides electricity and natural gas to its clients across the country. It provides an essential service to Canadians, customers in the U.S., and the Caribbean. No matter how bad the global health crisis gets, Fortis cannot shut down its operations.

Fortis recently released its Q1 2020 earnings report. Although it missed earnings estimates, market analysts remain hopeful about Fortis. The company's net revenue dropped by 2.73% in its recent quarter, and its net earnings declined by 0.3% in the same period. These drops, however, are not something that investors should worry about.

Foolish takeaway

With the housing market becoming increasingly risky, it would be wise to look for more reliable places to park your capital. Fortis is a regulated utility company with a strong base rate growth. The stock continues to outperform the broader market. Fortis is a much-loved stock that I think is suitable for a variety of investment portfolios due to its reliability.

At writing, the stock is trading for $50.70 per share, down 5.64% from its share price at the beginning of 2020. The stock pays its shareholders a dividend at a decent 3.77% yield. I think it could be worth your while adding the stock to your investment portfolio.

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