Housing Market Could Plummet by 18% Says CMHC

Description

The Canadian housing market seemed like the most wonderful investment option for investors due to the phenomenal decade it saw in the 2010s. After the financial crisis of 2008-2009, nobody could have anticipated how well the residential segment of the Canadian real estate industry would perform. Prices skyrocketed over the last 10 years.

The prices of real estate reached all-time highs and kept on breaking records, especially in Vancouver and Toronto. It led to a growing fear of a housing market bubble that can burst at any time. That burst never came throughout the decade. It even seemed like the housing market crash would never occur. The COVID-19 pandemic came along to change everything.

The housing market seems to be in a state of trouble right now. According to the officials from the Canada Mortgage and Housing Corporation (CMHC), we can see a decline of 18% in housing prices due to the challenging environment.

Difficult circumstances

Canada is currently reeling from the one-two punch effect from the oil price decline and the COVID-19 pandemic. The shutdown from the pandemic and oil price decline forced the economy to grind to a halt. Over three million Canadians have lost their jobs since March. According to *Bloomberg's* survey, the economy shrank by more than 40% in the second quarter of fiscal 2020.

The chief executive officer at CMHC, Evan Siddall, has said that a fifth of the mortgages could be in arrears if the economy does not adequately recover. The CMHC feels the need to avoid exposing more people to amplified losses from falling home values. It is considering whether it should change underwriting policies to mitigate the risk to taxpayers.

The CMHC has already made a troubling forecast of the housing market failing to return to pre-recession levels until the end of 2022. It clearly shows that Canadians could be better off parking their capital in a more reliable sector.

Safer investments

With the COVID-19 not making life easy for investors, there is a constant search for stocks that can beat the challenging economic environment. I think that the utility sector can help investors beat the market crash and earn long-term profits from their investments.

To this end, a stock like **Brookfield Renewable** (TSX:BEP.UN)(NYSE:BEP) can be the perfect example for you to consider. The pandemic has had a devastating effect on most stocks trading on the TSX. However, the global health crisis has done little to affect this utility stock.

The renewable electricity provider struggled to unlock the value of its assets for a while. It was only until 2017 that BEP began to deliver solid results. The stock has been surprising investors with its resilience against the current market pullback. Brookfield reported solid first-quarter results in 2020.

It experienced a 58% decrease in its income year over year, but its income remained strong. The normalized funds from operations grew by 5.5%, and it finished the first quarter of fiscal 2020 with over US$3 billion in liquid assets and US$294 million in cash on its balance sheet. The company has massive potential to generate revenue due to its globally diversified assets.

Renewable energy is going to be the mainstay for utility needs in the future, and Brookfield holds the advantage of being among the first and most prominent in the industry. The stock has the potential to explode in value, as more of the world shifts to renewable energy.

Foolish takeaway

The CMHC's forecast of declining prices is a worrying sign for investors with exposure to the housing sector. It would be a better idea to park your capital in more reliable assets. I think Brookfield Renewable seems like an ideal investment to consider between its defensive properties and potential for long-term gains.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/23
Date Created
2020/05/28
Author
adamothman