WARNING: A Housing Crash Could Come Sooner Than You Think!

Description

The onset of COVID-19 has completely changed how most sectors of the economy have been performing. Many experts, investors, and yours truly expected the Canadian housing market to crash due to the effects of the pandemic.

The Canadian Real Estate Association (CREA) anticipated immense growth in the housing sector before the pandemic was a factor. Housing market activity slowed down in March and April amid the fear-fueled market downturn. However, the global health crisis seems to have done nothing to continue the slump.

Housing market activity picked up again, as lockdowns began easing up. Additionally, the housing market rose to alarming new heights against analyst expectations. September also saw all-time monthly records being set.

Despite all the positive momentum in the housing market, there are still credible fears of a housing market correction that can devastate investor capital.

Reasons for the housing price surge

The low interest rate environment is perhaps the likeliest factor that is leading to the surge in housing market activity. Low mortgage rates make investing in residential real estate a lot more lucrative for homebuyers who cannot necessarily afford to buy houses.

The cheap borrowing cost for buying houses also gives buyers peace of mind that they can enjoy significant profits when deciding to sell in the future. The appreciation of Canadian residential real estate prices has been a key factor for its growth over the years.

It's only a matter of time

The Canadian Mortgage and Housing Corporation (CMHC) continues to stick to its forecast of a massive drop in the housing market. Canadians are enjoying better-than-expected liquidity due to government stimulus packages. Once the funds dry up, the situation can change drastically.

We're likely yet to see the full force of COVID-19's impact on the economy. As the dust continues to settle from the initial panic, we could see another market crash. Canadians are already alarmingly over-leveraged today. Increasing mortgage debt and a housing market decline could devastate the economy.

Preparing for the inevitable

The short- to medium-term picture looks bleak for Canadian real estate investors. If you want to protect your financial outlook during the possible devastation across the housing sector, you should consider investing in more stable assets. You can fortify your capital by investing in a stock like **Fortis** (TSX:FTS)(NYSE:FTS).

Fortis is a staple investment for Canadian investors with a variety of investment goals. It is generally a boring stock due to its low volatility. However, it is the same boring quality that makes Fortis a valuable investment for many Canadians seeking protection for their capital.

Fortis is a utility company that provides investors with a lower correlation to the broader market due to its risk-free fixed-income assets. The company can continue generating a steady and predictable cash flow, because it provides an essential service. The non-cyclical stock can also continue adding more cash to your account balance through its dividends.

With a dividend-growth streak of almost 50 years, Fortis is one of the most reliable Canadian Dividend Aristocrats you can consider.

Foolish takeaway

While you should continue hoping for the best, it's critical to prepare for the worst. At best, the housing market could see a slump and recover soon. At worst, we can witness a full-blown market crash that could devastate investor capital.

Investing in a stock like Fortis can provide your capital with the necessary protection against the effects of a possible housing crash.

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