



3 Crucial Indicators Could Determine the Housing Market's Fate

Description

It seems like we get a new scare about the [imminent housing crash](#) in Canada every few days. It was the case last year as well, but the feared housing market correction never came. The residential real estate market ended 2019 with substantial momentum and carried it into the new decade.

Canadian housing prices started 2020 with impressive momentum. However, COVID-19 came along, and people assumed that the feared housing crash could finally take place. Despite a slight slowdown in housing activity, the crash never came.

If you think that the housing market is not in danger, I can give you a few reasons to be worried. I will discuss three crucial indicators that can determine the housing market's fate.

Rising debt levels

Despite the resilience in the housing prices, the rising consumer debt levels are a cause of concern for the housing market. It is no secret that Canadians are alarmingly overleveraged. The debt problem has persisted for several years. Economists have cited the high debt loads as one of the main reasons for a possible housing crash.

The pandemic is weighing down on the economy and increasing pressure on the debt-related weakness for Canada.

Low interest rate environment

To make matters worse, the low interest rate environment is still encouraging Canadians to incur more debt to buy houses that they cannot afford. We are living in a time of historically low mortgage interest rates. Despite the weaker financial situation, Canadian buyers are purchasing more properties under the illusion that the lower interest rate is more affordable.

The government stimulus is ensuring better liquidity for Canadians, allowing them to superficially afford

the mortgage payments. The low interests are effectively letting Canadians go deeper into debt.

Foreign investment

The housing market has long been a valuable investment for Canadians due to the impressive appreciation it has seen. However, the influx of foreign investment in Canadian housing has led to substantial Canadian housing prices inflation.

Ontario introduced the foreign buyers' tax to mitigate the inflation caused by foreign investment. However, the introduction of the tax did little to decrease foreign investments in Canadian housing. The result has been a more significant inflation of housing prices, leading to the bubble we know today.

Protecting your capital

These factors are increasing the likelihood of a housing market crash that economists have been predicting for years. It would be wise to take a more defensive stance to protect your capital from the effects of a housing market crash. It might seem tempting to take your money out from the stock market and store it as cash. However, it is counterproductive, because cash cannot grow to keep pace with inflation.

Consider adding high-quality and income-generating assets like **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](https://www.tsx.com/stocks/nwh)) to your investment portfolio instead.

NorthWest Healthcare owns a diversified portfolio of medical facilities like medical office buildings, hospitals, and clinics. Its portfolio can generate significant income for the real estate investment trust (REIT) and provide a significant cash flow. NWH is also in high demand due to the pandemic.

As a REIT, NWH has to pay its shareholders part of its profits each month. The REIT is trading for \$11.43 per share at writing. It has a juicy 7% dividend yield at its current valuation, making it a very attractive investment to consider. The stock can not only protect your capital from the effects of a housing crash. It can also grow your account balance through [reliable dividend payouts](#).

Foolish takeaway

A housing crash could be devastating for Canadian investors. There is no telling how severe a housing market crash will be if it happens. If you believe that there is a chance it will happen considering these factors, I would advise taking on a defensive stance.

I believe that NorthWest Healthcare Properties REIT is an ideal investment to consider for this purpose.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/23

Date Created

2020/11/02

Author

adamothman

default watermark

default watermark