Housing Market Crash Imminent? Not for These Big Investors

Description

Many experts think that a housing market crash is imminent. Recently, Oxford Economics said that it expected Canadian houses to decline 24% in price in 2023 and added that a 40% crash is possible. People have been making predictions like this for decades, and they've never come true.

Today, though, there are signs that the doomsday prophets may finally be right. **RBC Economics** recently wrote that the federal government had launched a "full assault" on the housing market, with measures like bans on foreign homebuyers and interest rate hikes.

If you own a home today, you may have to deal with some near-term turbulence. But that doesn't mean that all real estate investments are exposed to such risks. There is a totally different real estate investment out there that is not always strongly correlated with housing. In 2022, this alternative investment may be worth taking a look at.

Real estate investment trusts (REITs)

REITs are pooled investment vehicles that invest in diversified real estate portfolios. Their holdings include many of the things you would expect, like apartment buildings and single-family homes. But oftentimes, they invest in things that are quite uncorrelated with the housing market, like farmland and timberland. These alternative investments are often overlooked, but they can add a lot of dividend income to your portfolio.

Solid income potential

One thing REITs have going for them is high dividend yields. They are required by law to pass a high percentage of income on to investors, and that results in some high payouts. The downside of this is that REITs often have to borrow a lot of money in order to grow, but the high yields are, nevertheless, very real.

Take **Northwest Healthcare Properties** (TSX:NWH.UN) for example. It's a healthcare REIT that invests in healthcare office space, including office buildings, health clinics, and even full hospitals. Because healthcare in Canada and the E.U. is government funded, NWH's tenants have an unparalleled ability to pay. So, it should come as no surprise that it has high collection rates and high occupancy rates. It's exactly the kind of REIT that can produce stable, reliable income over the long term.

It also has a very high distribution. At 5.88%, NWH's distribution yield can add $5,880 in annual cash back with a $100,000 investment. So, it's an investment with solid income potential.

Foolish takeaway

The Canadian housing market is in a precarious place right now. With interest rates rising, we might finally get that epic correction we've all been told was coming any day now. Or maybe not. It depends on a number of factors, including supply, population growth, and, yes, interest rates. One thing is for sure though: with REITs, you can get started investing in real estate for a tiny fraction of what you would have to invest to buy a new home. A REIT is not going to put a roof over your head, but it may add income to your portfolio. A REIT is definitely an alternative investment worth considering.

CATEGORY

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Date
2025/08/25
Date Created
2022/04/29

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