3 Industries to Watch as the Real Estate Prices Drop in Canada

Description

The Canadian housing boom is over. The sales numbers and prices are both going down steadily, and the sellers' market has given way to a buyers' market. Since the housing market is connected to many others, they may also see their share of the negative impact. Brokerages, the lumber industry, and mortgage businesses are just three of the many segments that are likely to suffer a long weak housing market.

A pressure-treated lumber business

Stella-Jones (TSX:SJ) is not the most potent example of a lumber or construction material company in Canada that might be affected by the downward motion of the Canadian housing market since residential lumber is just *one* of its four major products. But it's one of the few lumber stocks that offer a relatively accurate representation of the lumber market and its decline since 2021, especially in the U.S.

The stock is down 38% from its last year's peak already, and considering its current trajectory; it might keep going down for a while before becoming stable again. The slump has pushed the yield up to 2.44%, which is worth noting as Stella-Jones is the only Aristocrat in its market segment.

And if the housing market distress causes the stock to slump further, you may be able to lock in an even better yield and grab the stock at a heavily discounted price for a potential recovery.

A mortgage company

Few mortgage stocks have seen growth as strong as **MCAN Mortgage** (TSX:MKP) in the last five years, but that bullish phase might be coming to an end. From an investment perspective, MCAN is an attractive holding for both its dividends and its long-term capital-appreciation potential.

The latter might not be strong enough to be comparable to typical growth stocks, but it offers more than simply outpacing inflation.

However, MCAN’s dividends are its crown jewel. The stock is barely 13% down from its peak, and the company is already offering an 8.5% yield to its investors. When the devastating home sales numbers and, consequently, fewer mortgages start reflecting in the company’s finances, the stock may take a deeper dive.

It will be an excellent opportunity for investors *if* MCAN sustains its payouts. But even if it slashes them to match the slump, it would still be a compelling dividing holding.

A tech-driven brokerage

Real Brokerage (TSXV:REAX)(NASDAQ:REAX) is among a handful of publicly traded brokerages in North America (especially in the mid-cap range), and it saw exceptional growth between 2020 and 2021. However, as the winds shift in the real estate industry and the “activity” is going down considerably, with fewer sales taking place in Canada, the company may see its business stagnate.

Its financials have been growing at a power pace, yet the stock has dipped alongside the rest of the real estate sector. It has already gone down over 57% from the 2021 peak, leaving relatively little room for further crashing, even if the financials take a small dive.

But if the company suffers a drastic enough blow from its Canadian business, the stock may fall to dangerous depths. But the recovery might be just as enticing.

Foolish takeaway

Real estate investing in Canada will remain a challenging arena to navigate, possibly till 2023. But its impact on the other overlapping industries and sectors might recede much earlier, taking those asset pools out of the danger zone.

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